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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

Information about Form 990 and its instructions is at www.irs.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 07-01-2013, 2013, and ending 06-30-2014

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

FLAGSTAFF MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite

POST OFFICE BOX 1268 Suite

City or town, state or province, country, and ZIP or foreign postal code

FLAGSTAFF, AZ 860021268

D Employer identification number

86-0110232

E Telephone number

(928) 779-3366

G Gross receipts \$ 381,527,470

F Name and address of principal officer

RICHARD LANGOSCH

1200 N BEAVER ST

FLAGSTAFF, AZ 86001

H(a) Is this a group return for subordinates?

☐ Yes ☒ No

H(b) Are all subordinates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW FLAGSTAFFMEDICALCENTER.COM

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1936

M State of legal domicile

AZ

Part I	Summary																									
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>TO PROVIDE PATIENTS WITH EXCEPTIONAL CARE WHILE TRANSFORMING THE HEALTH OF THE COMMUNITIES WE SERVE</div></div>																									
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																									
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>12</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>8</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>0</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>466</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>583,487</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>-957,101</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	12	4	Number of independent voting members of the governing body (Part VI, line 1b)	8	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	0	6	Total number of volunteers (estimate if necessary)	466	7a	Total unrelated business revenue from Part VIII, column (C), line 12	583,487	7b	Net unrelated business taxable income from Form 990-T, line 34	-957,101							
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Part II

Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Sign Here

Signature of officer

2015-05-12

Date

RICHARD LANGOSCH INTERIM PRESIDENT/CEO

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

BRENDA D GRIESEMER

Preparer's signature

Date

Check ☐ if self-employed

PTIN P00264669

Firm's name

ERNST & YOUNG US LLP

Firm's EIN

Firm's address

TWO NORTH CENTRAL AVENUE STE 2300

PHOENIX, AZ 85004

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

☐ Yes ☒ No

1

Briefly describe the organization's mission

TO PROVIDE PATIENTS WITH EXCEPTIONAL CARE WHILE TRANSFORMING THE HEALTH OF THE COMMUNITIES WE SERVE

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code) (Expenses \$ 247,957,421 including grants of \$ 1,079,352) (Revenue \$ 374,213,673)

SEE SCHEDULE O

4b

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4c

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4d
























Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses 247,957,421

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions) 	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II 	18 Yes	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III 	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	Yes	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☒

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	523	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	0	
2b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).			
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		Yes	
3b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		Yes	
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			No
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		Yes	
5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			No
5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			No
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			No
6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			
7 Organizations that may receive deductible contributions under section 170(c).			
7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		Yes	
7b If "Yes," did the organization notify the donor of the value of the goods or services provided?		Yes	
7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			No
7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			No
7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			
7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
9a Did the organization make any taxable distributions under section 4966?		9a	
9b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
10a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
11a Gross income from members or shareholders.		11a	
11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	12	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	8	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶AZ
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶JOHN CORTESE 914 N SAN FRANCISCO SUITE M FLAGSTAFF,AZ 86001 (928) 214-3545

Check if Schedule O contains a response or note to any line in this Part VII ☒

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

[illegible]

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	160,120	7,107,163	565,999

2 Total number of individuals (including but not limited to those l
\$100,000 of reportable compensation from the organization►1

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4 Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
CONIFER HEALTH SOLUTIONS LLC, 1500 S DOUGLASS RD ANAHEIM CA 92806	BILLING SERVICES	7,637,093
BRISTON MECHANICAL, 309 E 10TH DRIVE MESA AZ 852108706	CONSTRUCTION SVCS	2,993,885
FOREST COUNTRY ANESTHESIA, PO BOX 53301 PHOENIX AZ 850723301	MEDICAL SERVICES	2,460,000
AUREUS RADIOLOGY LLC, PO BOX 3037 OMAHA NE 681030037	MEDICAL SERVICES	1,584,963
CRITICAL CARE CONSULTANTS PLLC, PO BOX 967 FLAGSTAFF AZ 86002	MEDICAL SERVICES	1,576,125

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶52

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c	268,040			
	d	Related organizations 1d				
	e	Government grants (contributions) 1e	259,964			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	640,729			
	g	Noncash contributions included in lines 1a-1f \$	26,156			
	h	Total. Add lines 1a-1f	1,168,733			
Program Service Revenue	2a	PATIENT SERVICES	Business Code 622111	359,495,920	359,458,135	37,785
	b	PHYSICIAN REVENUE	900099	5,502,573	5,502,573	
	c	PHARMACY	446110	3,263,456	2,737,808	525,648
	d	CAFETERIA	900099	1,950,930	1,950,930	
	e	PASS THROUGH ENTITIES	900002	-13,293,945	-13,293,945	
	f	All other program service revenue		813,565	813,565	
	g	Total. Add lines 2a-2f	357,732,499			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	5,282,072			5,282,072
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	Gross rents	(i) Real 59,860	(ii) Personal		
	b	Less rental expenses				
	c	Rental income or (loss)	59,860	0		
	d	Net rental income or (loss)	59,860			59,860
	7a	Gross amount from sales of assets other than inventory	(i) Securities 16,082,600	(ii) Other 20,500		
	b	Less cost or other basis and sales expenses		208,033		
	c	Gain or (loss)	16,082,600	-187,533		
	d	Net gain or (loss)	15,895,067			15,895,067
	8a	Gross income from fundraising events (not including \$ 268,040 of contributions reported on line 1c) See Part IV, line 18	a 82,569			
	b	Less direct expenses b	59,396			
	c	Net income or (loss) from fundraising events	23,173			23,173
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances	a			
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory	0			
		Miscellaneous Revenue	Business Code			
	11a	PROGRAM FEES	900099	304,841	304,841	
	b	NON PATIENT ROOMS	900099	179,475	179,475	
	c	STANDBY FEES	900099	199,902	199,902	
	d	All other revenue		414,419	394,365	20,054
	e	Total. Add lines 11a-11d	1,098,637			
	12	Total revenue. See Instructions	381,260,041	358,247,649	583,487	21,260,172

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	1,079,352	1,079,352		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	1,925,925	735,226	909,052	281,647
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	151,105		151,105	
7	Other salaries and wages.	124,866,024	106,032,357	18,516,439	317,228
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	11,542,653	9,755,603	1,757,975	29,075
9	Other employee benefits.	2,520,826	2,138,017	376,412	6,397
10	Payroll taxes.	18,752,570	15,904,854	2,800,132	47,584
11	Fees for services (non-employees):				
a	Management.	899,697	899,697		
b	Legal.	999,780	246,009	743,411	10,360
c	Accounting.	156,476	25,687	130,789	
d	Lobbying.	44,500		44,500	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	28,098		28,098	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	33,067,599	31,753,773	1,285,016	28,810
12	Advertising and promotion.	659,363	330,750	291,920	36,693
13	Office expenses.	13,721,218	6,019,056	7,615,848	86,314
14	Information technology.	1,655,598	844,582	803,712	7,304
15	Royalties.	0			
16	Occupancy.	5,104,122	4,314,239	780,820	9,063
17	Travel.	601,076	361,964	217,727	21,385
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	140,591	93,545	47,046	
20	Interest.	2,470,304		2,470,304	
21	Payments to affiliates.	-16,195	-35,603		19,408
22	Depreciation, depletion, and amortization.	16,045,078	10,103,655	5,934,107	7,316
23	Insurance.	1,597,534	367,546	1,229,988	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	MEDICAL SUPPLIES	55,020,519	55,020,519		
b	EXP REIMBURSEMENTS TO NAH	37,358,805		37,358,805	
c	CONSULTING	1,773,659	1,063,955	704,884	4,820
d	RECRUITING	1,298,142	7,867	1,290,275	
e	All other expenses	1,154,723	894,771	254,821	5,131
25	Total functional expenses. Add lines 1 through 24e.	334,619,142	247,957,421	85,743,186	918,535
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		-6,052,515	1	21,076,855
	2	Savings and temporary cash investments		40,945,086	2	41,397,760
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		58,449,651	4	57,162,644
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		25,341,887	7	19,539,197
	8	Inventories for sale or use		6,966,525	8	6,408,947
	9	Prepaid expenses and deferred charges		1,913,631	9	2,206,847
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a345,710,957			
	b	Less accumulated depreciation	10b204,957,019	134,787,324	10c	140,753,938
	11	Investments—publicly traded securities		310,857,386	11	337,322,816
	12	Investments—other securities See Part IV, line 11		2,393,071	12	2,704,889
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		1,268,997	15	414,809
	16	Total assets. Add lines 1 through 15 (must equal line 34)		576,871,043	16	628,988,702
Liabilities	17	Accounts payable and accrued expenses		26,949,826	17	30,043,627
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		118,743,509	20	113,343,421
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		249,064	23	239,875
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		53,275,257	25	49,020,169
	26	Total liabilities. Add lines 17 through 25		199,217,656	26	192,647,092
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		377,653,387	27	436,341,610
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		377,653,387	33	436,341,610
	34	Total liabilities and net assets/fund balances		576,871,043	34	628,988,702

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	381,260,041
2	Total expenses (must equal Part IX, column (A), line 25)	2	334,619,142
3	Revenue less expenses Subtract line 2 from line 1	3	46,640,899
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	377,653,387
5	Net unrealized gains (losses) on investments	5	14,984,872
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-2,937,548
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	436,341,610

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

[illegible]

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization FLAGSTAFF MEDICAL CENTER	Employer identification number 86-0110232
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Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____

5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)

8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2013

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2012 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
b 33 1/3% support test—2012. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
17a 10%-facts-and-circumstances test—2013. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
b 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

Part IV **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1

Provide a description of the organization’s direct and indirect political campaign activities in Part IV
- 2

Political expenditures

▶ \$
- 3

Volunteer hours

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1

Enter the amount of any excise tax incurred by the organization under section 4955

▶ \$
- 2

Enter the amount of any excise tax incurred by organization managers under section 4955

▶ \$
- 3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year?

☐ Yes

☐ No
- 4a

Was a correction made?

☐ Yes

☐ No
- b

If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

- 1

Enter the amount directly expended by the filing organization for section 527 exempt function activities

▶ \$
- 2

Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities

▶ \$
- 3

Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b

▶ \$
- 4

Did the filing organization file **Form 1120-POL** for this year?

☐ Yes

☐ No
- 5

Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No													

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		44,500
j	Total. Add lines 1c through 1i.			44,500
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carry over lobbying and political expenditures from the prior year?	3	

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Return Reference	Explanation
SCHEDULE C, PART II-B, LINE 1I	LOBBYING ACTIVITY EXPLANATION LOBBYING ELECTION AZHHA MEMBERSHIP, AHA MEMBERSHIP. IT IS ESTIMATED THAT 51.05 PERCENT OF DUES ARE NOT DEDUCTIBLE FOR INCOME TAX PURPOSES. THIS PERCENTAGE REPRESENTS THE AMOUNT OF DUES EXPENDED BY THE ASSOCIATION FOR LOBBYING. FLAGSTAFF MEDICAL CENTER ALSO PARTICIPATES IN HEALTHCARE-RELATED LOBBYING ACTIVITIES THROUGH THE SOLE COMMUNITY HOSPITAL COALITION.

Part IV

Return Reference

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I

Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II

Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2

Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4

Number of states where property subject to conservation easement is located ▶ _____

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

(ii) Assets included in Form 990, Part X ▶ \$ _____

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

b

Assets included in Form 990, Part X ▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2013

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

- 3

Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	
- 2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

Part V

Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	3,818,218	2,836,339	2,426,552	1,950,655	1,706,509
b Contributions	2,491,393	2,188,719	1,102,892	1,285,728	521,365
c Net investment earnings, gains, and losses	210,156	133,179	18,115	130,323	77,663
d Grants or scholarships	16,596	412,045	388,081	319,442	242,115
e Other expenditures for facilities and programs	1,475,958	862,349	299,259	537,702	67,946
f Administrative expenses	71,637	65,625	23,880	83,010	44,821
g End of year balance	4,955,576	3,818,218	2,836,339	2,426,552	1,950,655

- 2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

100 000 %

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations

3a(i)

☐ Yes

☐ No

(ii) related organizations

3a(ii)

☐ Yes

☐ No
- b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes

☐ No

4

Describe in Part XIII the intended uses of the organization's endowment funds

Part VI

Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		6,994,765		6,994,765
b Buildings		188,591,131	99,867,036	88,724,095
c Leasehold improvements		1,065,373	901,268	164,105
d Equipment		141,622,849	104,188,715	37,434,134
e Other		7,436,839		7,436,839
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				140,753,938

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	

Part XIII Supplemental Information

Provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Return Reference	Explanation
SCHEDULE D, PART V, LINE 4	INTENDED USES OF ENDOWED FUNDS MOST OF THE CURRENT ENDOWMENTS ARE BOARD DESIGNATED. CURRENTLY 5% OF THESE FUNDS ARE DESIGNATED FOR DISTRIBUTION BY THE FLAGSTAFF MEDICAL CENTER FOUNDATION COMMITTEE. SUCH DISTRIBUTIONS SHOULD 1) ADDRESS COMMUNITY HEALTH CARE NEEDS, 2) ADHERE TO THE CORE MISSION OF THE HOSPITAL, OR 3) REFLECT PROJECTS THAT ARE DEEMED IN THE BEST INTEREST OF THE HOSPITAL.
SCHEDULE D, PART X, LINE 2	The Corporation is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Corporations management is not aware of any events that would cause the Corporation to lose its tax-exempt status. Management has reviewed all open tax years and has determined that the Corporation has no significant uncertain tax positions.

[illegible]

Additional Data

Software ID:

Software Version:

EIN: 86-0110232

Name: FLAGSTAFF MEDICAL CENTER

Form 990, Schedule D, Part X, - Other Liabilities

1	(a) Description of Liability	(b) Book Value
	ADDITIONAL MIN PENSION LIABILITY	41,865,934
	PATIENT CREDIT BALANCES	2,528,692
	MALPRACTICE INSURANCE RESERVE	2,269,284
	BCBS IBNR	1,793,757
	CBO PEROT RESERVE	173,180
	BIOMED RESERVE	202,120
	WORKMAN'S COMP LIABILITY	-301,746
	UNEMPLOYMENT	122,639
	OTHER CURRENT LIABILITIES	366,309

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

▶ Information about Schedule G (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization FLAGSTAFF MEDICAL CENTER	Employer identification number 86-0110232
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Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.
Form 990-EZ filers are not required to complete this part.

- 1** Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a <input type="checkbox"/> Mail solicitations	e <input type="checkbox"/> Solicitation of non-government grants
b <input type="checkbox"/> Internet and email solicitations	f <input type="checkbox"/> Solicitation of government grants
c <input type="checkbox"/> Phone solicitations	g <input type="checkbox"/> Special fundraising events
d <input type="checkbox"/> In-person solicitations	
- 2a** Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total ▶						

- 3** List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.
-
-

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

Revenue			(a) Event #1	(b) Event #2	(c) Other events	(d) Total events	
			<u>TURQUOISE BALL</u>	<u>GOLF TOURNAMNT</u>	<u>3</u>	(add col (a) through	
			(event type)	(event type)	(total number)	col (c))	
1	Gross receipts	. . .	173,150	52,152	125,307	350,609	
2	Less Contributions	. .	114,460	40,667	112,913	268,040	
3	Gross income (line 1 minus line 2)	. . .	58,690	11,485	12,394	82,569	
Direct Expenses	4	Cash prizes	. . .	0	0	0	
	5	Noncash prizes	. .	0	0	0	
	6	Rent/facility costs	. .	0	10,080	7,785	17,865
	7	Food and beverages	.	18,507	5,049	3,347	26,903
	8	Entertainment	. . .	0	0	0	0
	9	Other direct expenses	.	0	3,825	10,803	14,628
	10	Direct expense summary Add lines 4 through 9 in column (d) ►					(59,396)
	11	Net income summary Subtract line 10 from line 3, column (d) ►					23,173

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

Revenue		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<div><div><div><div><div></div><div>Yes</div><div>%</div></div><div><div>No</div><div></div><div></div></div></div></div></div>	<div><div><div><div><div></div><div>Yes</div><div>%</div></div><div><div>No</div><div></div><div></div></div></div></div></div>	<div><div><div><div><div></div><div>Yes</div><div>%</div></div><div><div>No</div><div></div><div></div></div></div></div></div>	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Subtract line 7 from line 1, column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

☐ Yes ☐ No


13


Indicate the percentage of gaming activity operated in

a	The organization's facility	13a	%
b	An outside facility	13b	%

14

Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name 



Address 

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?


☐ Yes ☐ No


b

If "Yes," enter the amount of gaming revenue received by the organization  \$ _____ and the amount of gaming revenue retained by the third party  \$ _____

c

If "Yes," enter name and address of the third party


Name 


Address 

16

Gaming manager information

Name 

Gaming manager compensation  \$ _____

Description of services provided 

☐ Director/officer

☐ Employee

☐ Independent contractor

17


Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

☐ Yes ☐ No

b

Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year  \$ _____

Part IV

Supplemental Information. Provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Return Reference	Explanation
------------------	-------------

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other _____ 0 %	3a Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other _____ 0 %	3b Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	No
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	
6a	Did the organization prepare a community benefit report during the tax year?	6a Yes	
b	If "Yes," did the organization make it available to the public?	6b	No
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.			

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			3,201,375	0	3,201,375	1 260 %
b Medicaid (from Worksheet 3, column a)			76,261,833	36,612,000	39,649,833	15 550 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			0	0	0	
d Total Financial Assistance and Means-Tested Government Programs . .			79,463,208	36,612,000	42,851,208	16 810 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,562,216	286,536	1,275,680	0 380 %
f Health professions education (from Worksheet 5)			948,681	68,308	880,373	0 260 %
g Subsidized health services (from Worksheet 6)			1,830,263	0	1,830,263	0 720 %
h Research (from Worksheet 7)			0	0	0	
i Cash and in-kind contributions for community benefit (from Worksheet 8)			2,164,808		2,164,808	0 %
j Total Other Benefits			6,505,968	354,844	6,151,124	1 360 %
k Total. Add lines 7d and 7j . .			85,969,176	36,966,844	49,002,332	18 170 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support	2,582	1,008	257,639	0	257,6390 100 %
4	Environmental improvements					
5	Leadership development and training for community members	4	48	1,200	0	1,200
6	Coalition building	38	0	39,129	0	39,1290 020 %
7	Community health improvement advocacy	15	1,600	12,000	0	12,000
8	Workforce development	18	0	273,184	0	273,1840 110 %
9	Other					
10	Total	2,657	2,656	583,152	0	583,1520 230 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

26,680,478

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

3,201,375

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

112,682,000

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

121,378,477

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-8,696,477

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 TASC LLC	AMBULATORY SERVICES	100 000 %		
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, primary website address, and state license number

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)
FLAGSTAFF MEDICAL CENTER

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>HTTP //WWW.FLAGSTAFFMEDICALCENTER.COM/</u>		
b <input checked="" type="checkbox"/> Other website (list url) <u>HTTP //FLAGSTAFF.HEALTHFORECAST.NET</u>		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>125</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u> </u> % If "No," explain in Part VI the criteria the hospital facility used	11 Yes	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d

☒

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

	Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	Yes	
If "No," indicate why		
a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> Other (describe in Part VI)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a <input checked="" type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> Other (describe in Part VI)		
21 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?		No
If "Yes," explain in Part VI		
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?		No
If "Yes," explain in Part VI		

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (describe)
1 _____	
2 _____	
3 _____	
4 _____	
5 _____	
6 _____	
7 _____	
8 _____	
9 _____	
10 _____	

Part VI

Supplemental Information

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Form and Line Reference	Explanation
SCHEDULE H, PART I, LINE 3A	EXPLANATION FOR VARIOUS PERCENTAGES USED 100% OF THE FEDERAL POVERTY LEVEL = 100% CHARITY WRITE OFF SCHEDULE H, PART I, LINE 3B EXPLANATION FOR VARIOUS PERCENTAGES USED 125% OF THE FEDERAL POVERTY LEVEL = 100% CHARITY WRITE-OFF 150% OF FPL = 75% WRITE-OFF 175% OF FPG = 50% WRITE-OFF 200% OF FPG = 25% WRITE-OFF 300% OF FPG = 15% WRITE-OFF

Form and Line Reference	Explanation
SCHEDULE H, PART I, LINE 3C	CHARITY CARE INCOME LEVELS ARE BASED ON THE FEDERAL POVERTY GUIDE PUBLISHED IN THE FEBRUARY FEDERAL REGISTER ON AN ANNUAL BASIS A TIERED METHOD IS UTILIZED FOR DETERMINING WHETHER A PATIENT IS ELIGIBLE FOR 100%, 75%, 50%, 25%, OR 15% WRITE-OFF OF THE SELF PAY BALANCE OTHER CONSIDERATIONS SUCH AS DISPOSABLE ASSETS ARE CONSIDERED IN THE EVALUATION OF ELIGIBILITY A DISPOSABLE ASSET MAY BE EXPENSIVE JEWELRY, PLEASURE HORSES, RECREATIONAL VEHICLES, ETC

Form and Line Reference	Explanation
SCHEDULE H, PART I, LINE 6A	THE INFORMATION FOR THE COMMUNITY BENEFITS REPORT IS GATHERED BY THE COMMUNITY RELATIONS DEPARTMENT WHICH IS A DEPARTMENT OF NORTHERN ARIZONA HEALTHCARE. FLAGSTAFF MEDICAL CENTER AND VERDE VALLEY MEDICAL CENTER ARE IDENTIFIED SEPARATELY ON THESE REPORTS.

Form and Line Reference	Explanation
SCHEDULE H, PART I, LINE 7	PART I, LINE 7 FLAGSTAFF MEDICAL CENTER USED A COST-TO-CHARGE RATIO, WHERE APPLICABLE, TO CALCULATE THE MOST ACCURATE COST OF CHARITY CARE AND OTHER COMMUNITY BENEFITS REPORTED IN LINE 7 SCHEDULE H, PART II COMMUNITY BUILDING IS ADVANCED BY FMC THROUGH ITS SUPPORT OF PHYSICIAN RECRUITMENT AND WORK WITH VARIOUS COMMUNITY ORGANIZATIONS INCLUDING THE AMERICAN CANCER SOCIETY, BIG BROTHERS AND BIG SISTERS, FLAGSTAFF LEADERSHIP PROGRAM, FLAGSTAFF CHAMBER OF COMMERCE AND THE ARIZONA HOSPITAL AND HEALTHCARE ASSOCIATION

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 2	BAD DEBT AMOUNTS ARE FROM THE BILLING SOFTWARE AND A MONTHLY CALCULATED AMOUNT BASED ON THE ACCOUNTS RECEIVABLE BALANCES BY FINANCIAL CLASS - PRIMARILY SELF-PAY ACCOUNTS REFERRED TO BAD DEBT AS DEFINED IN NAH POLICY ARE AUTOMATICALLY ADJUSTED BY A FILE UPLOAD PROCESS USING A DEDICATED TRANSACTION CODE

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 3	THE ACTUAL CHARITY CARE AMOUNTS ARE FROM THE BILLING SOFTWARE WHICH IDENTIFIES THE AMOUNTS THAT ARE DIRECTLY RELATED TO PATIENTS WHO QUALIFY UNDER THE FAP THE FINANCIAL ASSISTANCE ADJUSTMENT PERCENTAGE IS DETERMINED BASED UPON THE FEDERAL POVERTY LINE GRID AS DEFINED IN NAH'S FINANCIAL ASSISTANCE POLICY THE ADJUSTMENT IS MANUALLY ENTERED INTO THE BILLING SOFTWARE WITH A DEDICATED TRANSACTION CODE REMAINING BALANCES ARE THE RESPONSIBILITY OF THE PATIENT

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 4	THE FOOTNOTE TO THE FINANCIAL STATEMENTS STATES Net patient accounts receivable and net patient service revenue have been adjusted to the estimated amounts expected to be received based on contracted rates for the services rendered These estimated amounts are subject to further adjustments upon review by third-party payors For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard or discounted rates Historically, a significant portion of the uninsured patients will be unable or unwilling to pay for the services provided Accordingly, the Corporation records an allowance for doubtful accounts and provision for doubtful accounts, related to uninsured patients, in the period the services were provided using an entity wide assessment based on historical collection experience Management regularly reviews payment data for each major payor in evaluating the sufficiency of the allowance for doubtful accounts

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 8	IN YEARS WHEN THERE IS A SHORTFALL, THE ENTIRE MEDICARE SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT BECAUSE OUR MISSION IS TO IMPROVE THE HEALTH OF THE PEOPLE AND COMMUNITIES WE SERVE WHETHER OR NOT THIS SERVICE IS PROVIDED AT A LOSS TO THE HOSPITAL MEDICARE REPRESENTS 37% OF THE HOSPITAL'S GROSS CHARGES AND IS A LOSS FOR THE HOSPITAL THE HOSPITAL PROVIDES CARE REGARDLESS OF THIS SIGNIFICANT LOSS AND THEREBY RELIEVES THE FEDERAL GOVERNMENT OF THE BURDEN OF PAYING THE FULL COST OF THE MEDICARE BENEFICIARIES MANY OF THESE PATIENTS WOULD QUALIFY FOR FINANCIAL ASSISTANCE IF THEY WERE NOT IN THE MEDICARE PROGRAM

Form and Line Reference	Explanation
SCHEDULE H, PART III, LINE 9B	ACCORDING TO OUR FINANCIAL ASSISTANCE POLICY, THE FINANCIAL COUNSELORS ASSESS THE PATIENT'S ABILITY TO PAY AT TIME OF ADMISSION/REGISTRATION IF THE PATIENT STATES THAT THEY ARE UNABLE TO PAY OUT-OF-POCKET EXPENSES, A DETERMINATION IS MADE WHETHER COVERAGE IS AVAILABLE THROUGH AHCCCS OR OTHER MEDICAID PROGRAMS IF NO OUTSIDE ASSISTANCE IS AVAILABLE, AN APPLICATION IS GIVEN TO THE PATIENT TO BE SUBMITTED FOR FINANCIAL ASSISTANCE CONSIDERATION IF THE PATIENT DOESN'T QUALIFY FOR FINANCIAL ASSISTANCE, INCOME LEVELS ARE ASSESSED TO DETERMINE IF THEY QUALIFY FOR LONG-TERM PAYMENT PROGRAM IF THE FINANCIAL ASSISTANCE APPLICATION IS NOT TURNED IN AND PAYMENT HAS NOT BEEN MADE AFTER NUMEROUS FOLLOW UP PHONE CALLS, THE PATIENT ACCOUNT GOES TO BAD DEBT BEFORE PRE-ADMISSION AND IF A PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE, FLAGSTAFF MEDICAL CENTER'S CASHIER COLLECTS 50% OF THE ESTIMATED LIABILITY THE REST OF THE 50% IS SET UP ON A SIX-MONTH PAYMENT PLAN WITH A SELF-PAY REPRESENTATIVE OF THE CENTRAL BUSINESS OFFICE

Form and Line Reference	Explanation
SCHEDULE H, PART VI, LINE 2	NEEDS ASSESSMENT FLAGSTAFF MEDICAL CENTER ASSESSES COMMUNITY HEALTHCARE NEEDS THROUGH A SURVEY DESIGNED AND ADMINISTERED BY PROFESSIONAL RESEARCH CONSULTANTS, INC THIS SURVEY WAS LAST CONDUCTED IN 2012 AND WAS A FOLLOW-UP TO OTHER SURVEYS THE HOSPITAL HAS CONDUCTED THE SURVEY INSTRUMENT USED FOR THIS STUDY IS BASED LARGELY ON THE CENTERS FOR DISEASE CONTROL AND PREVENTION BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, AS WELL AS VARIOUS OTHER PUBLIC HEALTH SURVEYS AND CUSTOMIZED QUESTIONS ADDRESSING GAPS IN INDICATOR DATA RELATIVE TO HEALTH PROMOTION AND DISEASE PREVENTION OBJECTIVES AND OTHER RECOGNIZED HEALTH ISSUES

Form and Line Reference	Explanation
SCHEDULE H, PART VI, LINE 3	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE ACCORDING TO OUR FINANCIAL ASSISTANCE POLICY, THE FINANCIAL COUNSELORS ASSESS THE PATIENT'S ABILITY TO PAY AT TIME OF ADMISSION/REGISTRATION IF THE PATIENT STATES THAT THEY ARE UNABLE TO PAY OUT-OF-POCKET EXPENSES, A DETERMINATION IS MADE WHETHER COVERAGE IS AVAILABLE THROUGH AHCCCS OR OTHER MEDICAID PROGRAMS IF NO OUTSIDE ASSISTANCE IS AVAILABLE, AN APPLICATION IS GIVEN TO THE PATIENT TO BE SUBMITTED FOR FINANCIAL ASSISTANCE CONSIDERATION IF PATIENT DOESN'T QUALIFY FOR FINANCIAL ASSISTANCE, INCOME LEVELS ARE ASSESSED TO DETERMINE IF THEY QUALIFY FOR LONG-TERM PAYMENT PROGRAM IF THE CHARITY APPLICATION IS NOT TURNED IN AND PAYMENT HAS NOT BEEN MADE AFTER NUMEROUS FOLLOW UP PHONE CALLS, THE PATIENT ACCOUNT GOES TO BAD DEBT FLAGSTAFF MEDICAL CENTER WEBSITE HAS A BILLING CONTACT NUMBER BEFORE PRE-ADMISSION, PATIENTS ARE CONTACTED BY FMC'S CASHIER WHEN PATIENTS ARE CONTACTED, THEY ARE EDUCATED ABOUT THE FINANCIAL ASSISTANCE POLICY FMC FINANCIAL COUNSELORS ASSIGNED TO EACH NURSING UNIT ARE ABLE TO ANSWER OR ASSIST WITH BILLING QUESTIONS AT EACH PATIENT REGISTRATION DESK ARE DISPLAYS AND BROCHURES OF THE BILLING INFORMATION, INCLUDING THE FINANCIAL ASSISTANCE POLICY

Form and Line Reference	Explanation
SCHEDULE H, PART VI, LINE 4	COMMUNITY INFORMATION FLAGSTAFF MEDICAL CENTER IS A 267-BED ACUTE CARE HOSPITAL LOCATED IN FLAGSTAFF, AZ THE PRIMARY SERVICE AREA COVERS APPROXIMATELY 9,600 SQUARE MILES WITH THE CLOSEST HOSPITAL TO THE SOUTH BEING VERDE VALLEY MEDICAL CENTER (FMC AFFILIATE) THE POPULATION IN THE PRIMARY SERVICE AREA IS APPROXIMATELY 100,000 FMC OPERATES AS A NOT-FOR-PROFIT, TAX-EXEMPT CORPORATION FMC PROVIDES GENERAL MEDICAL AND SURGICAL ACUTE CARE, BEHAVIORAL HEALTH SERVICES, AND A FULL RANGE OF OUTPATIENT SERVICES TO NORTHERN ARIZONA RESIDENTS AND VISITORS KEY SERVICES PROVIDED TO THE COMMUNITY INCLUDE A REGIONAL TRAUMA CENTER, OPEN-HEART SURGERY, HIGH-TECH IMAGING, RADIATION/ONCOLOGY, SURGICAL SERVICES, ORTHOPEDIC SERVICES, AND WOMEN, INFANTS AND CHILDREN'S SERVICES THE HOSPITAL GROSS PAYOR MIX IS AS FOLLOWS MEDICARE 37%, AHCCCS/MEDICAID 24%, COMMERCIAL AND OTHER 34%, AND SELF PAY 5% FLAGSTAFF MEDICAL CENTER IS ONE OF THE THREE LARGEST EMPLOYERS IN NORTHERN ARIZONA

Form and Line Reference	Explanation
SCHEDULE H, PART VI, LINE 5	PROMOTION OF COMMUNITY HEALTH COMMUNITY HEALTH AND COMMUNITY BUILDING ARE A FOCUS AT FLAGSTAFF MEDICAL CENTER AS EVIDENCED BY THE NUMEROUS ACTIVITIES SPONSORED EACH YEAR THE CANCER CENTER AT FMC HOSTS A SERIES OF FREE OR LOW-COST SCREENINGS DESIGNED TO HELP RESIDENTS IN THE COMMUNITY DETECT ISSUES AS SOON AS POSSIBLE THE SAFE CHILD CENTER IS A CHILD ADVOCACY CENTER THAT SERVES CHILDREN FROM BIRTH THROUGH 18 YEARS OLD AND IS DEDICATED TO REDUCING THE STRESS CHILDREN EXPERIENCE AS VICTIMS OF CRIME FMC'S PALLIATIVE CARE PROGRAM PROVIDES HIGH QUALITY CARE TO PATIENTS WHO HAVE A CHRONIC DISEASE OR LIFE-THREATENING ILLNESS FIT KIDS OF ARIZONA, WHICH WORKS TO REDUCE THE HEALTH CONSEQUENCES OF CHILDHOOD OBESITY BY PROMOTING HEALTHY LIFESTYLES, AND THE DIABETES TOGETHER COMMUNITY COLLABORATION ARE FMC'S PREMIER COMMUNITY HEALTH INITIATIVES THE CARE BEYOND WALLS AND WIRES PROGRAM USES TELEMEDICINE TO MONITOR AND SUPPORT PATIENTS WHO LIVE REMOTELY AND HAVE RECENTLY BEEN DIAGNOSED WITH CONGESTIVE HEART FAILURE COMMUNITY BUILDING IS ADVANCED BY FMC THROUGH ITS SUPPORT OF PHYSICIAN RECRUITMENT AND WORK WITH VARIOUS COMMUNITY ORGANIZATIONS INCLUDING THE AMERICAN CANCER SOCIETY, BIG BROTHERS AND BIG SISTERS, FLAGSTAFF LEADERSHIP PROGRAM, FLAGSTAFF CHAMBER OF COMMERCE AND THE ARIZONA HOSPITAL AND HEALTHCARE ASSOCIATION

Form and Line Reference	Explanation
SCHEDULE H, PART VI, LINE 6	AFFILIATED HEALTH CARE SYSTEM FLAGSTAFF MEDICAL CENTER IS AFFILIATED WITH VERDE VALLEY MEDICAL CENTER THE BOARD MEMBER MEETINGS ARE COMBINED THE COMMUNITY BENEFIT REPORT IS SUMMARIZED TOGETHER AND POSTED ON THE HOSPITAL'S WEBSITE

Additional Data

Software ID:
Software Version:
EIN: 86-0110232
Name: FLAGSTAFF MEDICAL CENTER

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.	
Form and Line Reference	Explanation
SCHEDULE H, SECTION B, PART V, LINE 3	
SCHEDULE H, SECTION B, PART V, LINE 4	THE COMMUNITY HEALTH NEEDS ASSESSMENT WAS COMPLETED IN CONJUNCTION WITH ITS RELATED HOSPITAL FACILITY, VERDE VALLEY MEDICAL CENTER
SCHEDULE H, SECTION B, PART V, LINE 7	HEALTH PRIORITIES NOT CHOSEN AND REASON SUBSTANCE ABUSE - FMC HAS LIMITED RESOURCES SERVICES AND EXPERTISE AVAILABLE TO ADDRESS ALCOHOL, TOBACCO AND OTHER DRUG ISSUES OTHER COMMUNITY ORGANIZATIONS HAVE INFRASTRUCTURE AND PROGRAMS IN PLACE TO BETTER MEET THIS NEED LIMITED RESOURCES EXCLUDED THIS AS AN AREA CHOSEN FOR ACTION FAMILY PLANNING - FMC BELIEVES THAT THIS PRIORITY AREA FALLS MORE WITHIN THE PURVIEW OF THE COUNTY HEALTH DEPARTMENT AND OTHER COMMUNITY ORGANIZATIONS LIMITED RESOURCES AND LOWER PRIORITY EXCLUDED THIS AS AN AREA CHOSEN FOR ACTION ARTHRITIS, OSTEOPOROSIS & CHRONIC BACK CONDITIONS - FMC OFFERS PHYSICAL THERAPY AND JOINT REPLACEMENT CLASSES HOWEVER THE PREVENTION OF THESE CONDITIONS IS ADDRESSED BY THE STATE AND COUNTY HEALTH DEPARTMENTS, SO WE HAVE EXCLUDED THIS AREA AS CHOSEN FOR ACTION ORAL HEALTH - FMC BELIEVES THAT THIS PRIORITY AREA FALLS MORE WITHIN THE PURVIEW OF THE COUNTY HEALTH DEPARTMENT AND OTHER COMMUNITY ORGANIZATIONS LIMITED RESOURCES AND LOWER PRIORITY EXCLUDED THIS AS AN AREA CHOSEN FOR ACTION
SCHEDULE H, SECTION B, PART V, LINE 11	SEE PART VI EXPLANATION FOR SCHEDULE H, PART 1, LINE 3B

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service
Name of the organization
FLAGSTAFF MEDICAL CENTER

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number
86-0110232

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table

29

3

Enter total number of other organizations listed in the line 1 table

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
SCHEDULE I, PART I, LINE 2	DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS FLAGSTAFF MEDICAL CENTER FOUNDATION - GRANTS 1) INDIVIDUALS ON THE USER LEVEL ARE RESPONSIBLE FOR SCREENING AND IDENTIFYING THE NEEDS FOR DISTRIBUTION OF GRANT FUNDS 2) DEPARTMENT HEADS AND/OR PROGRAM COORDINATORS MUST VALIDATE AND SIGN ALL REQUESTS FOR PAYMENT OR DISBURSEMENT OF THESE FUNDS 3) WRITTEN REQUESTS ARE REVIEWED BY THE FOUNDATION SPECIALIST FOR OPERATIONS TO VERIFY AVAILABLE FUND BALANCES AND PROPER ACCOUNT NUMBERS 4) THE FOUNDATION SPECIALIST FOR GRANTS THEN INITIALS THE DOCUMENTS AFTER VERIFYING THE CRITERIA FOR DISBURSEMENT 5) THE VICE PRESIDENT OF DEVELOPMENT AUTHORIZES THE DISBURSEMENT OF FUNDS BY SIGNATURE 6) THE FOUNDATION SCANS ALL DOCUMENTS AND SAVES THEM DIGITALLY ON A SECURE SERVER 7) ALL ORIGINAL DOCUMENTS ARE SUBMITTED TO ACCOUNTS PAYABLE FOR FINAL RECORDING AND PAYMENT 8) ORIGINAL DOCUMENTS ARE FILED AND ARCHIVED IN A SECURE LOCATION FOR THE REQUIRED LENGTH OF TIME FMC RELIES ON THE GOVERNANCE PRACTICES OF THE RECIPIENT ORGANIZATION TO USE THE FUNDS FOR THE INTENDED PURPOSE

Additional Data

Software ID:
Software Version:
EIN: 86-0110232
Name: FLAGSTAFF MEDICAL CENTER

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Cancer Society 403 N Agassiz 1 Flagstaff, AZ 86001	84-1316555	501(c)(3)	5,525				contribution

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Arizona Community Foundation 2201 E Camelback Rd STE 1010 Phoenix,AZ 85016	86-0348306	501(c)(3)	8,750				Scholarship donation

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Arizona Forward 3800 N Central Ave Phoenix, AZ 85012	23-7154678	501(c)(3)	10,000				SPONSORSHIP

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
City of Flagstaff 211 W Aspen Flagstaff, AZ 86001	86-6000244	Government	6,980				sponsorship

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Coconino Community College 2800 S Lone Tree Rd Flagstaff, AZ 86001	86-0717956	School	105,000				SPONSORSHIP

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Coconino Economic Development Initiative PO Box 22110 Flagstaff, AZ 86002	26-1077054	501(c)(3)	10,000				sponsorship

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Flagstaff Chamber of Commerce 101 W Route 66 Flagstaff, AZ 86001	27-3133456	501(c)(3)	6,340				sponsorship

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Flagstaff Symphony Orchestra PO Box 122 Flagstaff, AZ 86002	86-0186038	501(c)(3)	17,500				Concert sponsor

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Flagstaff Unified School District 3285 E Sparrow Flagstaff, AZ 86004	86-0593041	School	438,260				Fit Kids of Arizona program

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Flagstaff Unified School District 3285 E Sparrow STE 506 Flagstaff, AZ 86004	86-0593041	School	10,303				Exercise equipment

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Grand Canyon School District 1 Boulder St Grand Canyon, AZ 86023	86-0592834	School	15,964				Exercise equipment

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Hozhoni Foundation 2133 N Walgreen St Flagstaff, AZ 86004	86-0255127	501(c)(3)	10,500				MEDICAL EQUIPMENT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
JLB Project PO Box 537 Flagstaff, AZ 86002	27-3224466	501(c)(3)	11,740				GENERAL SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Mountain Charter Schools 311 W Cattle Drive TI STE D-1 Flagstaff, AZ 86005	95-3564584	School	19,863				Fit Kids of Arizona program

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Mountain Charter Schools 311 W Cattle Drive TI STE 4 Flagstaff, AZ 86005	95-3564584	School	21,255				Exercise equipment

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NAU Athletics PO Box 15400 Flagstaff, AZ 86001	74-2576628	School	12,950				sponsorship

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Northern Arizona University PO Box 122 Flagstaff, AZ 86002	86-6004791	School	94,020				sponsorship

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
North Country Healthcare PO Box 3630 Flagstaff, AZ 86003	86-0663432	501(c)(3)	18,835				NACASA

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Northland Family Help Center 2532 N 4th St Flagstaff, AZ 86004	86-0351566	501(c)(3)	11,454				Safety & Healing

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Poore Medical Clinic 120 W Fine Flagstaff,AZ 86001	80-0751712	501(c)(3)	25,000				general operations support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Ronald McDonald House Charities - Phoenix 501 E Roanok Ave Phoenix, AZ 85004	86-0483792	501(c)(3)	8,500				Help a Flagstaff Family

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
San Francisco de Asis School 320 W Humphreys St Flagstaff, AZ 86001	30-0515246	School	20,590				equipment

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Sedona International Film Festival PO Box 162 Sedona,AZ 86339	20-0351857	501(c)(3)	7,500				sponsorship

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Terra Birds PO Box 605 Flagstaff, AZ 86002	45-4318103	501(c)(3)	37,000				Fit Kids in the Garden

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
United Phoenix Firefighters 61 E Columbus Ave Phoenix, AZ 85012	86-6053047	501(c)(3)		10,000	purchase price	Equipment	contribution

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
United Way of Northern Arizona 1515 E Cedar Ave Flagstaff, AZ 86004	86-0211666	501(c)(3)		28,000	Purchase price	Exercise equipment	sponsorship

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Victim Witness Services 201 Birch Flagstaff, AZ 86001	86-0481748	501(c)(3)		15,813	Purchase price	Exercise equipment	sponsorship

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Williams Unified School District PO Box 427 Williams, AZ 86046	86-0592836	School		38,858	Purchase price	Exercise equipment	Fit Kids of Arizona program

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Williams Unified School District PO Box 427 Williams, AZ 86046	86-0592836	School		21,255	Purchase price	Exercise equipment	Exercise equipment

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain</div></div>	1b	
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	2	
<div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III</div><div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	4a	Yes
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4b	Yes
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>	4c	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of</div></div>		
<div><div>a</div><div>The organization?</div></div>	5a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>	5b	No
<div><div>6</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of</div></div>		
<div><div>a</div><div>The organization?</div></div>	6a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>	6b	No
<div><div>7</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III</div></div>	7	Yes
<div><div>8</div><div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III</div></div>	8	No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>	9	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III **Supplemental Information**

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

Return Reference	Explanation
SCHEDULE J, PART I, LINES 1A & 1B	SUPPLEMENTAL COMPENSATION INFORMATION ALL COMPENSATION, BENEFITS AND REIMBURSEMENTS ARE PAID BY NORTHERN ARIZONA HEALTHCARE, THE PARENT ORGANIZATION BOARD MEMBER AND OFFICER TAXABLE EXPENSES ARE PAID AND REPORTED ON A W-2 OR 1099 GROSS-UP OF TAXES IS DONE ON ALL EMPLOYEE GIFT CERTIFICATES CURRENTLY, THERE IS NO WRITTEN POLICY FOR THESE ITEMS IN PRACTICE, THE BOARD MEMBER AND OFFICER BUSINESS TRAVEL EXPENSES ARE APPROVED BY THE NEXT HIGHEST LEVEL
SCHEDULE J, PART I, LINE 3	CEO compensation is derived by the parent organization, Northern Arizona Healthcare, by the following methods compensation committee, written contract, independent consultant, compensation survey, recommendation of compensation committee to Board for approval
SCHEDULE J, PART I, LINE 4A	Severance in the amount of \$316,570 was paid to Steven M Peterson Schedule J, part I, Line 4B FMC OFFERS CERTAIN EXECUTIVES A NON-QUALIFIED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP) IT IS INTENDED THAT THIS PLAN BE AN INELIGIBLE DEFERRED COMPENSATION PLAN UNDER THE PROVISIONS OF CODE SECTION 457(F) AND BE OPERATED IN COMPLIANCE WITH CODE SECTION 409A THE DESIGN OF THE SERP IS SUCH THAT IT PROVIDES A MECHANISM FOR RESTORATION OF DEFERRED RETIREMENT THAT OTHERWISE WOULD BE LOST TO THE EXECUTIVES DUE TO MANDATORY CAP ON DEFERRALS WITHIN THE QUALIFIED RETIREMENT PLAN OFFERED TO OTHER EMPLOYEES OF FMC THE SERP IS ALSO DESIGNED TO DISCOURAGE EXECUTIVE TURNOVER, WHICH COULD HAMPER ORGANIZATIONAL STABILITY AND SUSTAINABILITY, THROUGH THE AGE AND SERVICE REQUIREMENTS THAT AN EXECUTIVE MUST MEET IN ORDER TO RECEIVE BENEFITS FROM THIS PLAN THE ANNUAL VALUE OF EACH EXECUTIVE'S PARTICIPATION IN THE PLAN IS TAKEN INTO CONSIDERATION AS PART OF THE CALCULATION OF TOTAL COMPENSATION WHEN TESTED AGAINST THE MARKET FOR REASONABLENESS DEFERRED COMPENSATION, REPORTED IN SCHEDULE J, PART II, COLUMN (C) INCLUDES THE INCREASE IN VALUE OF THE SERP ACCOUNT FOR THE FOLLOWING INDIVIDUALS WILLIAM BRADEL \$51,623
SCHEUDLE J, PART I, LINE 7	There are incentive payments to employed physicians based on various methods such as RVU's
SCHEDULE J, PART I, LINE 4B	THE FOLLOWING INDIVIDUALS PARTICIPATE IN A DEFINED BENEFIT RETIREMENT PLAN AS SUCH, ACTUARIAL INCREASES OR DECREASES IN THEIR ACCOUNTS ARE REPORTED ON PART II, COLUMN (C) AS DEFERRED COMPENSATION CHANGE IN ACTUARIAL BENEFIT JOHN J DEMPSEY \$112,752 GREG KUZMA \$98,998

Additional Data

Software ID:
Software Version:
EIN: 86-0110232
Name: FLAGSTAFF MEDICAL CENTER

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
IRWIN BLOOM THRU 62714 FMC PRESIDENT/CEO, VP NAH	(i)	0	0	0	0	0	0	0
	(ii)	242,035	28,099	13,338	2,743	4,201	290,416	0
WILLIAM BRADEL DIRECTOR/NAH CEO	(i)	0	0	0	0	0	0	0
	(ii)	528,264	106,480	64,579	4,900	27,061	731,284	0
Barbara Dember VVMC PRESIDENT/CEO, VP NAH	(i)	0	0	0	0	0	0	0
	(ii)	227,990	94,079	8,549	2,024	16,668	349,310	0
GREG KUZMA CFO/VP FINANCE (THRU 3/14)	(i)	0	0	0	0	0	0	0
	(ii)	329,381	67,861	16,278	98,998	12,456	524,974	0
JOHN J DEMPSEY EXECUTIVE VP LAW & ETHICS	(i)	0	0	0	0	0	0	0
	(ii)	310,524	54,969	16,931	112,752	27,447	522,623	0
MARILYNN P BELCHER VP PAT CARE SVCS (THRU 9/13)	(i)	0	0	0	0	0	0	0
	(ii)	163,815	32,140	971	3,897	10,823	211,646	0
KAI R MCSWAIN VP PROF SVCS (THRU 3/14)	(i)	0	0	0	0	0	0	0
	(ii)	201,608	26,156	1,867	4,669	22,653	256,953	0
RICHARD A SMITH VP FOUNDATION	(i)	0	0	0	0	0	0	0
	(ii)	242,519	33,870	5,258	4,900	22,568	309,115	0
STEVEN M PETERSON MD PHYSICIAN	(i)	0	0	0	0	0	0	0
	(ii)	268,530	177,877	325,329	4,615	6,455	782,806	0
MARK F CARROLL MD CHIEF MEDICAL OFFICER	(i)	0	0	0	0	0	0	0
	(ii)	205,367	0	4,300	456	25,580	235,703	0
JAMES G DWYER MD PHYSICIAN	(i)	0	0	0	0	0	0	0
	(ii)	489,857	220,000	15,048	4,900	23,116	752,921	0
OMAR R WANI MD PHYSICIAN	(i)	0	0	0	0	0	0	0
	(ii)	584,944	81,667	2,296	4,900	18,804	692,611	0
LINDA M PARKER CNO/VICE PRESIDENT	(i)	0	0	0	0	0	0	0
	(ii)	123,148	9,379	2,732	1,412	18,894	155,565	0
ERIC D COHEN MD PHYSICIAN	(i)	0	0	0	0	0	0	0
	(ii)	653,343		9,144	4,900	17,199	684,586	0
MARK E DONNELLY MD PHYSICIAN	(i)	0	0	0	0	0	0	0
	(ii)	378,891	178,998	1,754	4,900	27,047	591,590	0
SAIRAV SHAH MD PHYSICIAN	(i)	0	0	0	0	0	0	0
	(ii)	547,818	8,640	540	4,900	19,161	581,059	0

Schedule K
(Form 990)

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	86-0376099		07-25-2008	45,703,133	SEE PART VI		X		X		X
B	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	86-0376099	985900BT5	01-08-2009	20,326,075	SEE PART VI		X		X		X
C	INDUSTRIAL DEVELOPMENT AUTHORITY OF YAVAPAI COUNTY	86-0376099	985900CX5	10-12-2011	65,094,379	SEE PART VI		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		0		0			
2	Amount of bonds legally defeased	0		0		0			
3	Total proceeds of issue	45,703,133		20,326,075		65,094,379			
4	Gross proceeds in reserve funds	0		0		0			
5	Capitalized interest from proceeds	0		0		0			
6	Proceeds in refunding escrows	45,697,693		10,012,616		64,465,319			
7	Issuance costs from proceeds	5,440		227,246		629,060			
8	Credit enhancement from proceeds	0		0		0			
9	Working capital expenditures from proceeds	0		12,780		0			
10	Capital expenditures from proceeds	0		10,073,433		0			
11	Other spent proceeds	0		0		0			
12	Other unspent proceeds	0		0		0			
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X		X		X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %		0 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %		0 %			
6	Total of lines 4 and 5	0 %		0 %		0 %			
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0 %		0 %		0 %			
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X		X		X		
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X		X		X		

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		
b	Exception to rebate?	X		X		X			
c	No rebate due?		X		X		X		
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X			X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider	0		0		0			
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?	X		X		X			
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V

Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	X		X		X			

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
	LINE A - THE NAME OF THE ISSUE IS HOSPITAL REVENUE REFUNDING BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2008A THIS ISSUE REFUNDS BONDS ISSUED ON 12/12/96 AND 10/31/02 TOTAL ISSUANCE PRICE WAS \$57,096,705 WHICH WAS ALLOCATED \$45,703,133 TO FLAGSTAFF MEDICAL CENTER AND \$11,393,572 TO VERDE VALLEY MEDICAL CENTER LINE B - THE NAME OF THE ISSUE IS \$52,795,000 HOSPITAL REVENUE BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2008B THIS ISSUE REFUNDS BONDS FROM 1/27/05 TOTAL ISSUANCE PRICE WAS \$52,795,000 WHICH WAS ALLOCATED \$20,326,075 TO FLAGSTAFF MEDICAL CENTER AND \$32,468,925 TO VERDE VALLEY MEDICAL CENTER THE 2008B BONDS WERE ALSO USED, IN PART, TO FINANCE "NEW MONEY" PROJECTS \$10,073,432 WAS USED FOR BUILDINGS AND LONG-LIVED EQUIPMENT LINE C - THE NAME OF THE ISSUE IS HOSPITAL REVENUE REFUNDING BONDS (NORTHERN ARIZONA HEALTHCARE SYSTEM) SERIES 2011 THIS ISSUE REFUNDS THE 1996A AND 1998 SERIES BONDS TOTAL ISSUANCE PRICE WAS \$78,923,520 WHICH WAS ALLOCATED \$65,094,379 TO FLAGSTAFF MEDICAL CENTER AND \$13,829,141 TO VERDE VALLEY MEDICAL CENTER

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) TASC LLC	ALDRIDGE/PARTNER	151,105	TASC BUYOUT		No
(2) FOREST COUNTRY ANESTHESIOLOGISTS	CHRISTENSEN/PARTNER	2,460,000	SERVICES		No
(3) CRITICAL CARE CONSULTANT	LEWIS/PARTNER	1,576,125	SERVICES		No
(4) KATHY KUZMA	GREG KUZMA/SPOUSE	71,466	COMPENSATION		No

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
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SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

▶Information about Schedule M (Form 990) and its instructions is at www.irs.gov/form990.

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2013

Open to Public Inspection

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art	X	1	600	OPINIONS OF EXPERTS
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications	X		701	REPLACEMENT COST
5 Clothing and household goods	X		16,155	REPLACEMENT COST
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles	X	1	100	COST/SELLING PRICE
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (WIGS AND GO BAGS)	X	10	300	REPLACEMENT COST
26 Other ▶ (EXTERIOR HOLIDAY LIGHTING)	X	20	3,300	COST/SELLING PRICE
27 Other ▶ (FUN CENTER & PC PAL)	X	1	5,000	COST/SELLING PRICE
28 Other ▶ ()				

29

Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement

0

30a

During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

30a

No

b

If "Yes," describe the arrangement in Part II

31

Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

31

Yes

32a

Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

32a

No

b

If "Yes," describe in Part II

33

If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

Part II

Supplemental Information. Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Return Reference	Explanation
NUMBER OF CONTRIBUTIONS OR ITEMS CONTRIBUTED	SCHEDULE M, PART I, COLUMN B THE ORGANIZATION IS REPORTING THE NUMBER OF CONTRIBUTIONS RRECEIVED IN COLUMN (B) THE NUMBER OF CONTRIBUTIONS OR ITEMS CONTRIBUTED IS NOT ASCERTAINABLE FOR THE FOLLOWING DUE TO VOLUME BOOKS CLOTHING

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

**Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.**

▶ Attach to Form 990 or 990-EZ.

**▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.**

OMB No 1545-0047

2013

**Open to Public
Inspection**

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number

86-0110232

Return Reference	Explanation
FORM 990, PART I, LINE 6	VOLUNTEER RESPONSIBILITIES FMC VOLUNTEERS PROVIDE CLERICAL ASSISTANCE IN MULTIPLE DEPARTMENTS AND SUPPORT SERVICES SUCH AS WHEELCHAIR ASSISTANCE AND ESCORTING PATIENTS AND FAMILIES WHO ENTER AT THE MAIN ENTRY THEY VOLUNTEER AT THE INFORMATION DESK AND GIFT SHOP AND MAKE DELIVERIES OF GIFTS, READING MATERIALS AND MAIL TO PATIENT ROOMS THEY PROVIDE LOBBY MUSIC, NAVAJO AND SPANISH INTERPRETATION, SPIRITUAL CARE, AND CARING CANINE AND CARING CLOWN VISITS TO PATIENTS THEY ROCK BABIES IN THE SPECIAL CARE NURSERY, PROVIDE MENDED HEARTS PATIENT AND FAMILY SUPPORT, AND ASSIST IN THE FOUNDATION AND AT SPECIAL EVENTS VOLUNTEERS ASSIST IN OTHER DEPARTMENTS SUCH AS THE CANCER CENTER, BIOMEDICAL ENGINEERING, MAIL ROOM, NUTRITION SERVICES, PHARMACY, WOMEN AND INFANTS' CENTER, PHYSICAL THERAPY, FIT KIDS, BARIATRIC CLINIC, EMERGENCY AND SURGICAL SERVICES AND THE TAYLOR HOUSE MANY MEMBERS OF FMC'S GOVERNING BOARD ALSO SERVE THE ORGANIZATION AS VOLUNTEERS

Return Reference	Explanation
FORM 990 PART III LINE 4A	<p>DESCRIPTION OF PROGRAM SERVICE ACCOMPLISHMENTS ONE OF THE NICEST THINGS ABOUT LIVING IN NORTHERN ARIZONA IS YOU DONT HAVE TO TRAVEL TO GET EXCELLENT HEALTHCARE SINCE 1936, FLAGSTAFF MEDICAL CENTER (FMC), A MEMBER OF NORTHERN ARIZONA HEALTHCARE, HAS PROVIDED HIGH QUALITY HEALTHCARE SERVICES TO RESIDENTS AND VISITORS TO NORTHERN ARIZONA WE ARE DEDICATED TO PATIENT-CENTERED CARE WITH A PERSONAL TOUCH FMC IS LICENSED BY MEDICARE AND THE STATE OF ARIZONA FOUNDED BY DR CHARLES SECHRIST AS FLAGSTAFF HOSPITAL, THE 25-BED HOSPITAL WAS DONATED TO THE COMMUNITY OF FLAGSTAFF IN 1955 TODAY, FLAGSTAFF MEDICAL CENTER REMAINS A NOT-FOR-PROFIT HOSPITAL, GOVERNED BY A VOLUNTEER BOARD OF DIRECTORS WE TREAT EVERY PATIENT, REGARDLESS OF THEIR ABILITY TO PAY EVERY YEAR, FLAGSTAFF MEDICAL CENTER INVESTS IN YOUR COMMUNITY HOSPITAL TO ENSURE WE ARE PROVIDING THE BEST, SAFEST CARE, CLOSE TO HOME WE PROVIDE KEY SERVICES TO NORTHERN ARIZONA RESIDENTS AND VISITORS, INCLUDING A REGIONAL TRAUMA CENTER, OPEN-HEART SURGERY, HIGH-TECH IMAGING, A CANCER CENTER, SURGICAL SERVICES, ORTHOPEDIC SERVICES, WOMEN, INFANTS' AND CHILDREN'S SERVICES, AND MORE FMC CURRENTLY HAS - 267 INPATIENT BEDS - 211 PHYSICIANS ON OUR ACTIVE MEDICAL STAFF - 15,099 ANNUAL INPATIENT HOSPITAL ADMISSIONS - 63,956 INPATIENT DAYS - 68,473 ANNUAL OUTPATIENT HOSPITAL VISITS - 39,984 ANNUAL EMERGENCY DEPARTMENT VISITS - 1,224 BABIES BORN THIS YEAR AT FMC FLAGSTAFF MEDICAL CENTER'S MISSION AND VISION ----- MISSION - FLAGSTAFF MEDICAL CENTER WILL PROVIDE PATIENTS WITH EXCEPTIONAL CARE WHILE TRANSFORMING THE HEALTH OF THE COMMUNITIES WE SERVE VISION - FLAGSTAFF MEDICAL CENTER WILL BE A MODEL HEALTHCARE SYSTEM DISTINGUISHED BY OUR PEOPLE, QUALITY, SERVICE AND OUR DEDICATION TO COMMUNITY HEALTH SOLUTIONS VALUES - -PATIENTS - WE ARE COMMITTED TO MEETING THE NEEDS AND EXCEEDING THE EXPECTATIONS OF OUR PATIENTS - COLLEAGUES - WE STRIVE TO CREATE AN ORGANIZATIONAL CULTURE WHERE COLLEAGUES FEEL VALUED AND TAKE A SENSE OF PRIDE IN THEIR WORK - QUALITY - WE CONTINUOUSLY STRIVE TO ACHIEVE EXCELLENCE AT ALL LEVELS IN THE ORGANIZATION - SAFETY - WE ARE COMMITTED TO MAINTAINING A SAFE ENVIRONMENT FOR OUR PATIENTS, VISITORS AND COLLEAGUES - LEADERSHIP - WE PROMOTE LEADERSHIP AS AN ATTITUDE, NOT A POSITION, PUTTING VALUE ON BOTH PEOPLE AND THE WORK THEY DO - TEAMWORK - WE ARE COLLEAGUES WORKING TOGETHER, SHARING KNOWLEDGE, TALENTS AND SKILLS TO ACHIEVE COMMON GOALS - INTEGRITY - WE WILL BE FORTHRIGHT, HONEST AND RESPECTFUL - DIVERSITY - WE EMBRACE THE DIVERSITY OF OUR PEOPLE, PATIENTS AND THE COMMUNITIES WE SERVE</p>

Return Reference	Explanation
FORM 990, PART V, LINE 5A	<p>PARTY TO PROHIBITED TAX SHELTER TRANSACTION FLAGSTAFF MEDICAL CENTER IS FILING TWO FORMS 8886, REPORTABLE TRANSACTION DISCLOSURE STATEMENT, ON A PROTECTIVE BASIS TO REPORT ITS INTERESTS IN THE FOLLOWING LIMITED PARTNERSHIPS JORDAN FAMILY INVESTMENTS LP, AND NAAM ENTERPRISES LP FLAGSTAFF MEDICAL CENTER IS FILING ONE FORM 8886 TO REPORT ITS INTEREST IN DUDDIE FAMILY LIMITED PARTNERSHIP FLAGSTAFF MEDICAL CENTER IS NOT REQUIRED TO DISCLOSE THE DUDDIE FAMILY LP ON FORM 8886-T, DISCLOSURE BY TAX-EXEMPT ENTITY REGARDING PROHIBITED TAX SHELTER TRANSACTION, BECAUSE IT RECEIVED THE DONATED LIMITED PARTNERSHIP INTEREST PRIOR TO MAY 17, 2006 TREAS REG 1.6033-5(D)(4) ("[D]ISCLOSURE IS NOT REQUIRED WITH RESPECT TO ANY PROHIBITED TAX SHELTER TRANSACTION ENTERED INTO BY A TAX-EXEMPT ENTITY ON OR BEFORE MAY 17, 2006") FORM 990, PART V, LINE 2A, PART VII, SECTION A, AND PART IX NORTHERN ARIZONA HEALTHCARE CORPORATION (NAH) AND VERDE VALLEY MEDICAL CENTER (VVMC) ARE RELATED ORGANIZATIONS OF FLAGSTAFF MEDICAL CENTER (FMC) NEITHER FMC NOR VVMC HAVE EMPLOYEES, RATHER, EACH SHARES THE COST OF PERSONNEL, SERVICES, AND EXPENSES WITH NAH</p>

Return Reference	Explanation
FORM 990, PART VI, LINE 1	THE BOARD OF DIRECTORS DELEGATES AUTHORITY TO AN EXECUTIVE COMMITTEE. THE MEMBERS OF THE EXECUTIVE COMMITTEE INCLUDE THE BOARD OFFICERS, THE PRESIDENT, AND ANY OTHER PARTY THE BOARD OF DIRECTOR APPOINTS. THE EXECUTIVE COMMITTEE POSSESSES AND MAY EXERCISE THE POWERS OF THE BOARD OF DIRECTORS IN BETWEEN MEETINGS. THE EXECUTIVE COMMITTEE ANNUALLY REVIEWS THE PERFORMANCE AND COMPENSATION OF THE PRESIDENT. THE EXECUTIVE COMMITTEE DOES NOT HAVE THE AUTHORITY TO REMOVE ANY DIRECTOR, FIX COMPENSATION OF THE DIRECTORS, OR EXERCISE ANY RESERVED POWERS WHICH ALSO REQUIRE APPROVAL BY A SUBSIDIARY BOARD. FORM 990, PART VI, QUESTION 6 DESCRIPTION OF THE MEMBERS OF THE ORGANIZATION AND THEIR RIGHTS NORTHERN ARIZONA HEALTHCARE CORPORATION IS THE SOLE CORPORATE MEMBER OF FLAGSTAFF MEDICAL CENTER.

Return Reference	Explanation
FORM 990, PART VI, LINE 7A	DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS THE FLAGSTAFF MEDICAL CENTER (FMC) GOVERNANCE COMMITTEE NOMINATES FOR POSITIONS ON THE FMC BOARD OF DIRECTORS DIRECTORS ARE ELECTED BY THE BOARD OF DIRECTORS OF THE SOLE CORPORATE MEMBER FROM THE NOMINATIONS THAT HAVE BEEN PROVIDED THE SOLE CORPORATE MEMBER ELECTS THOSE PERSONS NOMINATED UNLESS THE BOARD OF DIRECTORS OF THE SOLE CORPORATE MEMBER BY A SUPER MAJORITY VOTE DETERMINES THAT A NOMINEE'S ELECTION WOULD BE DETRIMENTAL TO THE BEST INTERESTS OF FMC OR THE SOLE CORPORATE MEMBER

Return Reference	Explanation
FORM 990, PART VI, LINE 7B	DECISIONS REQUIRING APPROVAL & TYPE OF VOTING RIGHTS AS SOLE CORPORATE MEMBER, NORTHERN ARIZONA HEALTHCARE CORPORATION APPROVES THE BOARD OF DIRECTORS THAT ARE ELECTED BY THIS ENTITY ALSO AS SOLE CORPORATE MEMBER, NORTHERN ARIZONA HEALTHCARE CORPORATION HAS RESERVED THE RIGHT AND AUTHORITY TO APPROVE OR DISAPPROVE THOSE ACTS OR POWERS AS SET FORTH IN THE "RESERVED POWERS CHART" THAT IS PART OF THE BYLAWS

Return Reference	Explanation
FORM 990, PART VI, LINE 11B	REVIEW OF THE FORM 990 BY THE ORGANIZATION'S GOVERNING BODY THE FORM 990 IS PREPARED BY AN ACCOUNTING FIRM BASED ON DATA GATHERED BY THE CONTROLLER AND THE ORGANIZATION'S FINANCIAL OPERATIONS GROUP THE CFO REVIEWS THE DRAFT FORM 990 AND PROVIDES ADDITIONAL COMMENTS THE FINAL DRAFT VERSION OF THE FORM 990 IS PROVIDED TO THE BOARD OF DIRECTORS AND KEY OFFICERS PRIOR TO THE MAY 15 DUE DATE FOR THE FORM 990 ANY ADDITIONAL COMMENTS SUGGESTED BY THE GOVERNING BODY ARE THEN INCORPORATED INTO THE FINAL VERSION OF THE FORM 990 TO BE FILED WITH THE IRS BY THE FINAL DUE DATE IF ANY SUGGESTED CHANGES ARE MATERIAL OR SIGNIFICANT, AN ADDITIONAL DRAFT IS DISTRIBUTED TO THE GOVERNING BODY PRIOR TO FILING

Return Reference	Explanation
FORM 990, PART VI, LINE 12C	DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICT OF INTEREST THE ORGANIZATION REGULARLY MONITORS AND ENFORCES COMPLIANCE WITH ITS CONFLICT OF INTEREST POLICY (BOARD POLICY 6.1) THIS IS ACCOMPLISHED BY A NUMBER OF MECHANISMS FIRST, THE CONFLICT OF INTEREST QUESTIONNAIRE IS REVIEWED BY THE GOVERNANCE COMMITTEE OF THE BOARD AS PART OF THE QUESTIONNAIRE, SELF-DISCLOSURE IS REQUIRED BY BOARD MEMBERS IN ADDITION, INDIVIDUAL DISCLOSURE BY BOARD MEMBERS OCCURS AT BOARD MEETINGS WHEN NECESSARY (I.E. A BOARD MEMBER WILL EXCLUDE HIMSELF FROM VOTING ON AN ISSUE IN WHICH HE MAY HAVE A CONFLICT OF INTEREST)

Return Reference	Explanation
FORM 990, PART VI, LINES 15A & 15B	COMPENSATION PROCESS ALL COMPENSATION, BENEFITS AND REIMBURSEMENTS ARE PAID BY NORTHERN ARIZONA HEALTHCARE, THE PARENT ORGANIZATION THE PROCESS FOR DETERMINING COMPENSATION OF THE ORGANIZATION'S CEO AND OTHER OFFICERS INCLUDES THE PREPARATION OF COMPARABLE DATA BY TOWERS WATSON, AN INDEPENDENT CONSULTING FIRM IN ADDITION, THIS INFORMATION IS REVIEWED BY THE GOVERNANCE COMMITTEE OF THE BOARD AND IS DOCUMENTED IN BOARD MINUTES THE MOST RECENT REVIEW WAS PERFORMED IN AUGUST 2013

Return Reference	Explanation
FORM 990, PART VI, LINE 19	AVAILABILITY OF CERTAIN DOCUMENTS TO THE GENERAL PUBLIC THE ORGANIZATION'S FINANCIAL STATEMENTS ARE AVAILABLE THROUGH THE ARIZONA DEPARTMENT OF HEALTH SERVICES IN ADDITION, THEY ARE AVAILABLE THROUGH THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) AS PART OF THE ORGANIZATION'S CONTINUING DISCLOSURE DOCUMENTS THAT ARE REQUIRED BY ITS PUBLIC DEBT REQUIREMENTS THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS OR ITS CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC FORM 990, PART VII NORTHERN ARIZONA HEALTHCARE CORPORATION (NAH), A RELATED ORGANIZATION, PAID \$21,000 TO THE COKER GROUP HOLDINGS, LLC ("COKER") FOR THE SERVICES OF INTERIM CFO RICHARD LANGOSCH, WHO IS AN EMPLOYEE OF COKER

Return Reference	Explanation
FORM 990, PART XI, LINE 9	EXPLANATION OF OTHER CHANGES IN NET ASSETS DECREASE IN UNFUNDED PENSION LIABILITY \$ 4,096,278 TRANSFERS TO AFFILIATES \$ (170,963) ELIMINATIONS \$ (173,809) ----- TOTAL \$ 3,751,506

Return Reference	Explanation	
FORM 8886, 1 OF 3	<p>THE DUDDIE FAMILY LIMITED PARTNERSHIP NOTE THE TAX ADVICE PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P C , AND POLSINELLI PC (FKA POLSINELLI SHUGHART PC) WAS LIMITED TO ADVIC E PERTAINING TO THE DISCLOSURE OF THE TRANSACTION DESCRIBED IN THIS FORM 8886 THE SERVICE S PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P C , AND POLSINELLI PC DID NOT INVOLVE ANY TAX ADVICE PERTAINING TO THE STRUCTURING OF THE TRANSACTION DISCLOSED IN THIS FORM 888 6 OR ADVISING THE TAXPAYER BEYOND ITS REPORTABLE TRANSACTION DISCLOSURE AND RELATED OBLIGA TIONS THE FEES PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, FENNEMORE CRAIG, P C , AND POLS INELLI PC RELATE ONLY TO POST-TRANSACTIONAL TAX ADVICE CONCERNING ITS DISCLOSURE OBLIGATIO NS AND ITS WITHDRAWAL FROM THE DUDDIE FAMILY LIMITED PARTNERSHIP LINE 7B - CONTINUATION F ROM FORM 8886 (5) THE PETERSON GRANDCHILDREN'S TRUST (TRUST #2') DONORS AND FOUNDATION EN TERED INTO THE TRANSACTION, THE PARTNERSHIP, ON OR ABOUT DECEMBER 31, 1990 ON OR ABOUT JA NUARY 30, 1997, FOUNDATION, EIN 94-2540279, ADOPTED ARTICLES OF DISSOLUTION, AND ON OR ABO UT NOVEMBER 1, 2000, FOUNDATION, EIN 94-2540279, WAS ADMINISTRATIVELY DISSOLVED AND FLAGST AFF MEDICAL CENTER INC ("FLAGSTAFF"), EIN 86-0100232, THE THEN SOLE MEMBER OF THE FOUNDAT ION, SUCCEEDED TO THE INTERESTS OF THE FOUNDATION IN THE REMAINING ASSETS OF THE FOUNDATIO N AFTER PROVISION FOR ALL LIABILITIES OF THE FOUNDATION UPON ITS DISSOLUTION FLAGSTAFF IS THE SUCESSOR ENTITY TO FOUNDATION FOR FEDERAL INCOME TAX PURPOSES CONSEQUENTLY, FLAGSTAF F MEDICAL CENTER, INC IS THE ENTITY RESPONSIBLE FOR DISCLOSING THIS TRANSACTION UNDER TRE AS REG SECTION 1 6011-4, ET SEQ THE DUDDIE FAMILY LIMITED PARTNERSHIP AGREEMENT (THE "A GREEMENT") DESCRIBES DONORS HAVING CONTRIBUTED \$800,000 TO THE PARTNERSHIP AS AN INITIAL C APITAL CONTRIBUTION THE AGREEMENT FURTHER DESCRIBES TIMOTHY G DUDDIE AND SHERYL P DUDDIE CONTRIBUTING AN ADDITIONAL \$200,000 TO THE PARTNERSHIP "ON BEHALF OF" FOUNDATION, RESULT ING IN FOUNDATION OWNING APPROXIMATELY 20% OF THE LIMITED PARTNERSHIP INTERESTS PER FOUND ATION'S 2009 SCHEDULE K-1 PROVIDED TO FLAGSTAFF BY PARTNERSHIP, FOUNDATION IS ALLOCATED 19 4% OF THE PROFIT, LOSS AND CAPITAL OF PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES PURSUA NT TO THE TERMS OF THE AGREEMENT, THE GENERAL PARTNERS HAVE FULL CONTROL OVER THE TIMING A ND AMOUNT OF DISTRIBUTIONS FROM THE PARTNERSHIP LIMITED PARTNERS IN THE PARTNERSHIP HAVE NO RIGHTS TO DEMAND DISTRIBUTIONS OR PARTAKE IN THE MANAGEMENT OF THE PARTNERSHIP FLAGSTA FF, IN ITS CAPACITY AS AN ASSIGNEE OF FOUNDATION'S INTEREST IN THE PARTNERSHIP, DOES NOT H AVE ANY RIGHTS TO REVIEW THE BOOKS AND RECORDS OF THE PARTNERSHIP AND ITS RIGHTS ARE LIMIT ED TO RECEIVING ANY DISTRIBUTIONS ON ACCOUNT OF THE INTEREST FOR FLAGSTAFF TO OBTAIN THE RIGHTS OF A LIMITED PARTNER, INCLUDING THE RIGHTS TO REVIEW THE BOOKS AND RECORDS OF THE P ARTNERSHIP, FLAGSTAFF WOULD HAVE TO SATISFY CERTAIN CONDITIONS, INCLUDING THE PAYMENT OF A \$20,000 FEE AND RIGHTS OF FIRST REFUSAL HELD BY THE GENERAL PARTNER AND THE LIMITED PARTN ERS UNDER THE TERMS OF THE AGREEMENT THE OPTION AGREEMENT (THE "OPTION"), EFFECTIVE DECEM BER 31, 1990, WAS ENTERED INTO BY TRUST #1 AND FOUNDATION THE OPTION PROVIDES FOUNDATION THE RIGHT TO REQUIRE TRUST #1 TO PURCHASE ITS INTEREST IN PARTNERSHIP, AT THE GREATER OF F AIR MARKET VALUE OR THE ORIGINAL GIFT VALUE OF FOUNDATION'S LIMITED PARTNERSHIP INTEREST, WHICH WAS ESTABLISHED WHEN FOUNDATION RECEIVED ITS INTEREST IN THE PARTNERSHIP THE RIGHT TO EXERCISE THE OPTION RUNS FOR 60 DAYS AFTER THE DATE OF DEATH OF THE LAST TO DIE OF "THE INSURED GENERAL PARTNERS OR GRANTORS, IF THE GENERAL PARTNERS ARE REVOCABLE FAMILY TRUSTS " THE OPTION ALSO PROVIDES THAT TRUST #1 "HAS OR WILL PROCURE LIFE INSURANCE ON THE LIVES OF THE GENERAL PARTNERS " FLAGSTAFF DOES NOT POSSESS ENOUGH INFORMATION TO DETERMINE TO WHAT EXTENT, IF ANY, TRUST #2 HAS PARTICIPATED IN THE PARTNERSHIP WITHIN THE MEANING OF TRE AS REG SECTION 1 6011-4, ET SEQ PARTNERSHIP PROVIDED A 2009 SCHEDULE K-1 TO FLAGSTAFF I NDICATING THAT TRUST #2 OWNS A 1 54% OF THE PROFIT, LOSS AND CAPITAL OF PARTNERSHIP FOR FE DERAL INCOME TAX PURPOSES ON OR ABOUT OCTOBER 25, 2010 FLAGSTAFF FIRST BECAME AWARE THAT PARTNERSHIP MIGHT BE VIEWED AS SUBSTANTIALLY SIMILAR TO THE NOTICE 2004-30 TRANSACTION, AND THEREFORE MAY HAVE PARTICIPATED IN A LISTED TRANSACTION WITHIN THE MEANING OF TREAS REG SECTION 1 6011-4, ET SEQ CONSEQUENTLY, FLAGSTAFF'S INITIAL DISCLOSURE OF PARTNERSHIP WA S FILED WITH THE 2009 FORM 990 WITH RESPECT TO FLAGSTAFF'S TAXABLE YEAR ENDED JUNE 30, 201 0 FLAGSTAFF HAS RETAINED LEGAL COUNSEL AND, AFTER REPEATED ATTEMPTS TO NEGOTIATE WITHDRAW AL FROM THE PARTNERSHIP WERE UNSUCCESSFUL, FILED A LAWSUIT IN THE CALIFORNIA STATE COURTS SEEKING DISSOLUTION OF THE PARTNERSHIP AND OTHER RELIEF FOUNDATION SOUGHT TO JOIN FLAGSTA FF AS A PLAINTIFF IN THE LAWSUIT AS DEEMED NECESSARY TO WIND UP AND LIQUIDATE FOUNDATION'S AFFAIRS IN FURTHERANCE OF FOUNDATION'S PRIOR DISS</p>	

Return Reference	Explanation	
FORM 8886, 1 OF 3		<p>OLUTION THE TRIAL COURT FOUND THAT FLAGSTAFF, AS A MERE ASSIGNEE OF FOUNDATION'S INTEREST IN THE PARTNERSHIP, LACKED STANDING TO ASSERT ITS CLAIMS, AND GRANTED DEFENDANTS' MOTION FOR JUDGMENT ON THE PLEADINGS THE TRIAL COURT FURTHER DENIED FLAGSTAFF'S MOTION TO AMEND THE PLEADINGS TO JOIN THE FOUNDATION AS A PLAINTIFF IN THE LAWSUIT THE TRIAL COURT ENTERED JUDGMENT IN FAVOR OF THE DEFENDANTS AS A RESULT OF THE TRIAL COURT'S RULING, FLAGSTAFF IS PRECLUDED FROM DISSOLVING THE PARTNERSHIP AND HAS NO RIGHTS TO REVIEW THE BOOKS AND RECORDS OF THE PARTNERSHIP FLAGSTAFF PROVIDED TO DUDDIE FAMILY LIMITED PARTNERSHIP FORMAL NOTICE OF ITS INTENT TO ABANDON ITS PARTNERSHIP INTEREST BY LETTER DATED JULY 18, 2013, AND BY CONFIRMING CORRESPONDENCE DATED SEPTEMBER 13, 2013 FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFITS FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER I R C SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS AN ASSIGNEE OF FOUNDATION'S LIMITED PARTNER INTEREST IN THE PARTNERSHIP THEREFORE, FLAGSTAFF IS UNABLE TO PROVIDE AN ESTIMATE OF ANY SUCH EXPECTED TAX BENEFITS ADDITIONALLY, THERE SHOULD BE NO DISCLOSURE TO THE EXTENT THAT FLAGSTAFF IS VIEWED AS ENTERING INTO THE PARTNERSHIP SOLELY PRIOR TO FEBRUARY 28, 2000 THE ORIGINAL TEMP TREAS REGS ISSUED FEBRUARY 28, 2000 UNDER TREAS REG SECTION 1.6011-4T MAY GOVERN FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP THESE TREAS REGS REQUIRE DISCLOSURE ONLY FOR LARGE TRANSACTIONS THAT PROVIDE TAX SAVINGS IN EXCESS OF CERTAIN DOLLAR THRESHOLDS (THE "PROJECTED TAX EFFECT TEST") THE PROJECTED TAX EFFECT TEST, AS DESCRIBED IN THESE REGULATIONS, REQUIRES A TRANSACTION TO BE REPORTED WHERE IT IS EXPECTED TO REDUCE THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY BY MORE THAN \$1 MILLION IN ANY SINGLE TAXABLE YEAR OR BY A TOTAL OF \$2 MILLION FOR ANY COMBINATION OF TAXABLE YEARS HOWEVER, A LISTED TRANSACTION IS NOT TREATED AS A REPORTABLE TRANSACTION IF IT HAS AFFECTED THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY AS REPORTED ON ANY TAX RETURN FILED ON OR BEFORE FEBRUARY 28, 2000 BECAUSE FLAGSTAFF IS A TAX-EXEMPT I R C SECTION 501(C)(3) ENTITY, FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL THEREFORE, UNDER TEMP TREAS REG SECTION 1.6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SINCE 2001, TEMP TREAS REG SECTION 1.6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED IN 2003 BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1.6011-4T IN T D 8877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUARY 28, 2000, ON OCTOBER 5, 1995</p>

Return Reference	Explanation	
FORM 8886, 2 OF 3	JORDAN FAMILY INVESTMENTS LIMITED PARTNERSHIP NOTE THE TAX ADVICE PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P C , AND POLSINELLI PC (FKA POLSINELLI SHUGHART PC) WAS LIMITED TO RECENT ADVICE PERTAINING TO THE DISCLOSURE OF THE TRANSACTION DESCRIBED IN THIS FORM 88 86 THE SERVICES PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P C , AND POLSINELLI PC D ID NOT INVOLVE ANY TAX ADVICE PERTAINING TO THE STRUCTURING OF THE TRANSACTION DISCLOSED I N THIS FORM 8886 OR ADVISING THE TAXPAYER BEYOND ITS REPORTABLE TRANSACTION DISCLOSURE AND RELATED OBLIGATIONS THE FEES PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, POLSINELLI PC, A ND FENNEMORE CRAIG, P C RELATE ONLY TO POST-TRANSACTIONAL TAX ADVICE CONCERNING ITS DISCL OSURE OBLIGATIONS AND ITS WITHDRAWAL FROM THE JORDAN FAMILY INVESTMENTS LIMITED PARTNERSHI P LINE 7B - CONTINUATION FROM FORM 8886 AT AN UNKNOWN DATE, MICHAEL E JORDAN, AS A LIMIT ED PARTNER, TRANSFERRED A PERCENTAGE OF HIS OWNERSHIP INTEREST TO THE FOUNDATION DONORS E NTERED INTO THE TRANSACTION, THE PARTNERSHIP, ON OR ABOUT DECEMBER 1, 1990 SOME TIME AFTE R THE TRANSACTION WAS ENTERED INTO THE BOY SCOUTS OF AMERICA, MONTANA COUNCIL, WERE ADMITT ED TO THE PARTNERSHIP AS A LIMITED PARTNER ON OR ABOUT JANUARY 30, 1997, FOUNDATION, EIN 94- 2540279, ADOPTED ARTICLES OF DISSOLUTION, AND ON OR ABOUT NOVEMBER 1, 2000 FOUNDATION, EIN 94- 2540279, WAS ADMINISTRATIVELY DISSOLVED AND FLAGSTAFF MEDICAL CENTER, INC ("FLAGST AFF"), EIN 86-0110232, THE THEN SOLE MEMBER OF THE FOUNDATION, SUCCEEDED TO THE INTERESTS OF THE FOUNDATION IN THE REMAINING ASSETS OF THE FOUNDATION AFTER PROVISION FOR ALL LIABIL ITIES OF THE FOUNDATION UPON ITS DISSOLUTION FLAGSTAFF IS THE SUCCESSOR ENTITY TO FOUNDAT ION FOR FEDERAL INCOME TAX PURPOSES CONSEQUENTLY, FLAGSTAFF MEDICAL CENTER, INC IS THE E NTITY RESPONSIBLE FOR DISCLOSING THIS TRANSACTION UNDER TREAS REG SECTION 1 6011-4, ET SEQ THE JORDAN FAMILY INVESTMENTS LIMITED PARTNERSHIP AGREEMENT, DATED DECEMBER 1, 1990, (THE "AGREEMENT") DESCRIBES DONORS AS HAVING CONTRIBUTED \$100 TO THE PARTNERSHIP AS AN INIT IAL CAPITAL CONTRIBUTION THE INITIAL PARTNERSHIP AGREEMENT LISTS MICHAEL E JORDAN AS THE GENERAL PARTNER ACCORDING TO THE PARTNERSHIP'S 2009 K-1, THE GENERAL PARTNER IS NOW WILL IAM J JORDAN CLIFFORD JORDAN AND THERESA JORDAN BECAME LIMITED PARTNERS PRIOR TO 2008 P ER FOUNDATION'S 2010 SCHEDULE K-1 PROVIDED TO FLAGSTAFF BY PARTNERSHIP, FOUNDATION IS ALLO CATED 42 1% OF THE PROFIT, LOSS AND CAPITAL OF PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TERMS OF THE AGREEMENT, THE GENERAL PARTNERS HAVE FULL CONTROL OVER THE TIMING AND AMOUNT OF DISTRIBUTIONS FROM THE PARTNERSHIP FLAGSTAFF, IN ITS CAPACITY AS LIM ITED PARTNER IN THE PARTNERSHIP, GENERALLY MAY NOT DEMAND DISTRIBUTIONS OR PARTAKE IN THE MANAGEMENT OF THE PARTNERSHIP FLAGSTAFF MAY NOT TRANSFER ITS LIMITED PARTNERSHIP INTEREST WITHOUT SATISFYING CERTAIN CONDITIONS, INCLUDING RIGHTS OF FIRST REFUSAL HELD BY THE GENE RAL PARTNERS AND THE LIMITED PARTNERS UNDER THE TERMS OF THE AGREEMENT IT IS UNKNOWN IF A N OPTION AGREEMENT EXISTS, WHICH ALLOWS A THIRD PARTY TO PURCHASE FOUNDATION'S INTEREST IN PARTNERSHIP UPON THE DEATH OF THE GENERAL PARTNER ON OR ABOUT AUGUST 10, 2010 FLAGSTAFF FIRST BECAME AWARE THAT PARTNERSHIP MIGHT BE VIEWED AS SUBSTANTIALLY SIMILAR TO THE NOTICE 2004-30 TRANSACTION, AND THEREFORE MAY HAVE PARTICIPATED IN A LISTED TRANSACTION WITHIN T HE MEANING OF TREAS REG SECTION 1 6011-4, ET SEQ CONSEQUENTLY, FLAGSTAFF'S INITIAL DISC LOSURE OF PARTNERSHIP WAS FILED WITH THE 2009 FORM 990 WITH RESPECT TO FLAGSTAFF'S TAXABLE YEAR ENDED JUNE 30, 2010 FLAGSTAFF RETAINED LEGAL COUNSEL AND NEGOTIATED WITHDRAWAL FROM THE PARTNERSHIP FLAGSTAFF REDEEMED ITS PARTNERSHIP INTEREST BACK TO THE PARTNERSHIP AS O F OCTOBER 1, 2013 FOR GOOD AND VALUABLE CONSIDERATION FLAGSTAFF HAS NOT, NOR DOES IT, EXP ECT ANY TAX BENEFITS FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INC OME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO T HE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATI ON UNDER I R C SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSH IP IN ITS CAPACITY AS A LIMITED PARTNER THEREFORE, FLAGSTAFF IS UNABLE TO PROVIDE AN ESTI MATE OF ANY SUCH EXPECTED TAX BENEFITS ADDITIONALLY , THERE SHOULD BE NO DISCLOSURE TO THE EXTENT THAT FLAGSTAFF IS VIEWED AS ENTERING INTO THE PARTNERSHIP SOLELY PRIOR TO FEBRUARY 28, 2000 THE ORIGINAL TEMP TREAS REGS ISSUED FEBRUARY 28, 2000 UNDER TREAS REG SECT ION 1 6011-4T MAY GOVERN FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP THESE TREAS REGS REQUIRE DISCLOSURE ONLY FOR LARGE TRANSACTIONS THAT PROVIDE TAX SAVINGS IN EXCESS OF CERTA IN DOLLAR THRESHOLDS (THE "PROJECTED TAX EFFECT TEST") THE PROJECTED TAX EFFECT TEST, AS DESCRIBED IN THESE REGULATIONS, REQUIRES A TRANSACTION TO BE REPORTED WHERE IT IS EXPECTED TO REDUCE THE TAXPAYER'S FEDERAL INCOME TAX LIABI	

Return Reference	Explanation	
	FORM 8886, 2 OF 3	<p>LITY BY MORE THAN \$1 MILLION IN ANY SINGLE TAXABLE YEAR OR BY A TOTAL OF \$2 MILLION FOR ANY COMBINATION OF TAXABLE YEARS. HOWEVER, A LISTED TRANSACTION IS NOT TREATED AS A REPORTABLE TRANSACTION IF IT HAS AFFECTED THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY AS REPORTED ON ANY TAX RETURN FILED ON OR BEFORE FEBRUARY 28, 2000. BECAUSE FLAGSTAFF IS A TAX-EXEMPT I R C SECTION 501(C)(3) ENTITY, FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL. THEREFORE, UNDER TEMP. TREAS. REG. SECTION 1.6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000. ** SINCE 2001, TEMP. TREAS. REG. SECTION 1.6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED IN 2003. BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP. TREAS. REG. SECTION 1.6011-4T IN T.D. 8877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUARY 28, 2000, ON OR ABOUT DECEMBER 31, 1990. FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFIT FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS. FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER I R C SECTION 501(C)(3). FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS LIMITED PARTNER.</p>

Return Reference	Explanation	
FORM 8886, 3 OF 3	<p>NAAM ENTERPRISES LIMITED PARTNERSHIP NOTE THE TAX ADVICE PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P C , AND POLSINELLI PC (FKA POLSINELLI SHUGHART PC) WAS LIMITED TO RECENT ADVICE PERTAINING TO THE DISCLOSURE OF THE TRANSACTION DESCRIBED IN THIS FORM 8886 THE SERVICES PROVIDED BY ERNST & YOUNG LLP, FENNEMORE CRAIG, P C , AND POLSINELLI PC DID NOT INVOLVE ANY TAX ADVICE PERTAINING TO THE STRUCTURING OF THE TRANSACTION DISCLOSED IN THIS FORM 8886 OR ADVISING THE TAXPAYER BEYOND ITS REPORTABLE TRANSACTION DISCLOSURE AND RELATED OBLIGATIONS THE FEES PAID BY THE TAXPAYER TO ERNST & YOUNG LLP, POLSINELLI PC, AND FENNEMORE CRAIG, P C RELATE ONLY TO POST-TRANSACTIONAL TAX ADVICE CONCERNING ITS DISCLOSURE OBLIGATIONS AND ITS WITHDRAWAL FROM NAAM ENTERPRISES LIMITED PARTNERSHIP LINE 7B - CONTINUATION FROM FORM 8886 AT AN UNKNOWN DATE, HARI BHAJAN SINGH KHALSA AND HARI BHAJAN KAUR KHALSA, IN THEIR CAPACITY AS LIMITED PARTNERS, TRANSFERRED A PERCENTAGE OF THEIR OWNERSHIP INTEREST TO THE FOUNDATION DONORS ENTERED INTO THE TRANSACTION, THE PARTNERSHIP, ON OR ABOUT DECEMBER 1, 1990 ON OR ABOUT NOVEMBER 1, 2000, FOUNDATION, EIN 94-2540279, WAS ADMINISTRATIVELY DISSOLVED AND FLAGSTAFF MEDICAL CENTER, INC ("FLAGSTAFF"), EIN 86-0110232, THE THEN SOLE MEMBER OF THE FOUNDATION, SUCCEEDED TO THE INTERESTS OF THE FOUNDATION IN THE REMAINING ASSETS OF THE FOUNDATION AFTER PROVISION FOR ALL LIABILITIES OF THE FOUNDATION UPON ITS DISSOLUTION FLAGSTAFF IS THE SUCCESSOR ENTITY TO FOUNDATION FOR FEDERAL INCOME TAX PURPOSES CONSEQUENTLY, FLAGSTAFF MEDICAL CENTER, INC IS THE ENTITY RESPONSIBLE FOR DISCLOSING THIS TRANSACTION UNDER TREAS REG SECTION 1 6011-4, ET SEQ NAAM ENTERPRISES LIMITED PARTNERSHIP AGREEMENT (THE "AGREEMENT") DESCRIBES DONORS AS HAVING CONTRIBUTED \$100 TO THE PARTNERSHIP AS AN INITIAL CAPITAL CONTRIBUTION PER FOUNDATION'S 2012 SCHEDULE K-1 PROVIDED TO FLAGSTAFF BY PARTNERSHIP, FOUNDATION IS ALLOCATED 22% OF THE PROFIT, LOSS AND CAPITAL OF PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TERMS OF THE AGREEMENT, THE GENERAL PARTNERS HAVE FULL CONTROL OVER THE TIMING AND AMOUNT OF DISTRIBUTIONS FROM THE PARTNERSHIP FLAGSTAFF, IN ITS CAPACITY AS LIMITED PARTNER IN THE PARTNERSHIP, GENERALLY MAY NOT DEMAND DISTRIBUTIONS OR PARTAKE IN THE MANAGEMENT OF THE PARTNERSHIP FLAGSTAFF MAY NOT TRANSFER ITS LIMITED PARTNERSHIP INTEREST WITHOUT SATISFYING CERTAIN CONDITIONS, INCLUDING RIGHTS OF FIRST REFUSAL HELD BY THE GENERAL PARTNERS AND THE LIMITED PARTNERS UNDER THE TERMS OF THE AGREEMENT IT IS UNKNOWN IF AN OPTION AGREEMENT EXISTS, WHICH ALLOWS A THIRD PARTY TO PURCHASE FOUNDATION'S INTEREST IN PARTNERSHIP UPON THE DEATH OF THE GENERAL PARTNER ON OR ABOUT AUGUST 10, 2010 FLAGSTAFF FIRST BECAME AWARE THAT PARTNERSHIP MIGHT BE VIEWED AS SUBSTANTIALLY SIMILAR TO THE NOTICE 2004-30 TRANSACTION, AND THEREFORE MAY HAVE PARTICIPATED IN A LISTED TRANSACTION WITHIN THE MEANING OF TREAS REG SECTION 1 6011-4, ET SEQ CONSEQUENTLY, FLAGSTAFF'S INITIAL DISCLOSURE OF PARTNERSHIP WAS FILED WITH THE 20 09 FORM 990 WITH RESPECT TO FLAGSTAFF'S TAXABLE YEAR ENDED JUNE 30, 2010 FLAGSTAFF RETAINED LEGAL COUNSEL AND NEGOTIATED WITHDRAWAL FROM THE PARTNERSHIP FLAGSTAFF REDEEMED ITS PARTNERSHIP INTEREST BACK TO THE PARTNERSHIP AS OF NOVEMBER 1, 2013 FOR GOOD AND VALUABLE CONSIDERATION FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFITS FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER I R C SECTION 501(C)(3) FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS A LIMITED PARTNER THEREFORE, FLAGSTAFF IS UNABLE TO PROVIDE AN ESTIMATE OF ANY SUCH EXPECTED TAX BENEFITS ADDITIONALLY, THERE SHOULD BE NO DISCLOSURE TO THE EXTENT THAT FLAGSTAFF IS VIEWED AS ENTERING INTO THE PARTNERSHIP SOLELY PRIOR TO FEBRUARY 28, 2000 THE ORIGINAL TEMP TREAS REGS ISSUED FEBRUARY 28, 2000 UNDER TREAS REG SECTION 1 6011-4T MAY GOVERN FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP THESE TREAS REGS REQUIRE DISCLOSURE ONLY FOR LARGE TRANSACTIONS THAT PROVIDE TAX SAVINGS IN EXCESS OF CERTAIN DOLLAR THRESHOLDS (THE "PROJECTED TAX EFFECT TEST") THE PROJECTED TAX EFFECT TEST, AS DESCRIBED IN THESE REGULATIONS, REQUIRE A TRANSACTION TO BE REPORTED WHERE IT IS EXPECTED TO REDUCE THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY BY MORE THAN \$1 MILLION IN ANY SINGLE TAXABLE YEAR OR BY A TOTAL OF \$2 MILLION FOR ANY COMBINATION OF TAXABLE YEARS HOWEVER, A LISTED TRANSACTION IS NOT TREATED AS A REPORTABLE TRANSACTION IF IT HAS AFFECTED THE TAXPAYER'S FEDERAL INCOME TAX LIABILITY AS REPORTED ON ANY TAX RETURN FILED ON OR BEFORE FEBRUARY 28, 2000 BECAUSE FLAGSTAFF IS A TAX- EXEMPT I R C SECTION 501(C)(3) ENTITY, FLAGSTAFF'S PARTICIPATION IN THE PARTNERSHIP WAS NOT EXPECTED TO REDUCE ITS TAX LIABILITY AT ALL T</p>	

Return Reference	Explanation	
	FORM 8886, 3 OF 3	HEREFORE, UNDER TEMP TREAS REG SECTION 1 6011-4T, FLAGSTAFF MAY NOT HAVE A DISCLOSURE REQUIREMENT WITH RESPECT TO ITS INVESTMENT IN THE PARTNERSHIP PRIOR TO FEBRUARY 28, 2000 ** SINCE 2001, TEMP TREAS REG SECTION 1 6011-4T HAS BEEN MODIFIED A NUMBER OF TIMES BEFORE BEING FINALIZED IN 2003. BASED ON THE VARIOUS EFFECTIVE DATES FOR THE DIFFERENT SECTIONS THAT HAVE CHANGED, IT APPEARS THAT THE FEBRUARY 28, 2000 INITIAL TEMP TREAS REG SECTION 1 6011-4T IN TD 8877 MAY GOVERN THE DISCLOSURE OBLIGATIONS OF FLAGSTAFF WITH RESPECT TO ITS PARTICIPATION IN THE PARTNERSHIP THROUGH ITS LIMITED PARTNERSHIP INTEREST THAT WAS OBTAINED PRIOR TO FEBRUARY 28, 2000, ON OR ABOUT DECEMBER 31, 1990. FLAGSTAFF HAS NOT, NOR DOES IT, EXPECT ANY TAX BENEFIT FROM THE TRANSACTION, INCLUDING DEDUCTIONS, EXCLUSIONS FROM GROSS INCOME, NONRECOGNITION OF GAIN, TAX CREDITS, ADJUSTMENTS (OR THE ABSENCE OF ADJUSTMENTS) TO THE BASIS OF PROPERTY, LOSS, OR TAX CREDITS. FLAGSTAFF IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER I.R.C. SECTION 501(C)(3). FLAGSTAFF ONLY EXPECTS DISTRIBUTIONS FROM THE PARTNERSHIP IN ITS CAPACITY AS LIMITED PARTNER.

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
FLAGSTAFF MEDICAL CENTER

Employer identification number
86-0110232

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) TASC LLC (THRU 1212014) 1200 N BEAVER ST FLAGSTAFF, AZ 86001 86-0913157	AMBULATORY SV	AZ	1,532,289	1,402,524	FMC

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) NORTHERN ARIZONA HEALTHCARE PO BOX 1268 FLAGSTAFF, AZ 86001 74-2410946	HEALTHCARE	AZ	501(C)(3)	9	NA		No
(2) VERDE VALLEY MEDICAL CENTER 269 SOUTH CANDY LANE COTTONWOOD, AZ 86326 86-0100882	HEALTHCARE	AZ	501(C)(3)	3	NAH	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) TASC LLC 1200 N BEAVER ST FLAGSTAFF, AZ 86001 86-0913157	AMBULATORY SV	AZ	NA	RELATED	-173,607	1,279,999		No	0	Yes		100 000 %
(2) NAHPG LLC PO BOX 1268 FLAGSTAFF, AZ 86002 45-4464070	ADMIN AND BIL	AZ	FMC AND VVMC	RELATED	-14,826,231	-19,763,320		No		Yes		50 000 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

1During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

aReceipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

bGift, grant, or capital contribution to related organization(s)

cGift, grant, or capital contribution from related organization(s)

dLoans or loan guarantees to or for related organization(s)

eLoans or loan guarantees by related organization(s)

fDividends from related organization(s)

gSale of assets to related organization(s)

hPurchase of assets from related organization(s)

iExchange of assets with related organization(s)

jLease of facilities, equipment, or other assets to related organization(s)

kLease of facilities, equipment, or other assets from related organization(s)

lPerformance of services or membership or fundraising solicitations for related organization(s)

mPerformance of services or membership or fundraising solicitations by related organization(s)

nSharing of facilities, equipment, mailing lists, or other assets with related organization(s)

oSharing of paid employees with related organization(s)

pReimbursement paid to related organization(s) for expenses

qReimbursement paid by related organization(s) for expenses

rOther transfer of cash or property to related organization(s)

sOther transfer of cash or property from related organization(s)

Yes

No

1aYes

1bNo

1cNo

1dNo

1eNo

1f

1gNo

1hNo

1iNo

1jYes

1kYes

1lNo

1mYes

1nNo

1oYes

1pNo

1qYes

1rYes

1sNo

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) VERDE VALLEY MEDICAL CENTER	Q	19,119,195	FINANCIAL STMT
(2) VERDE VALLEY MEDICAL CENTER	Q	49,481,518	FINANCIAL STMT
(3) THE AMBULATORY SURGI-CENTER	A	228,725	FINANCIAL STMT

Schedule R (Form 990) 2013

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII

Supplemental Information

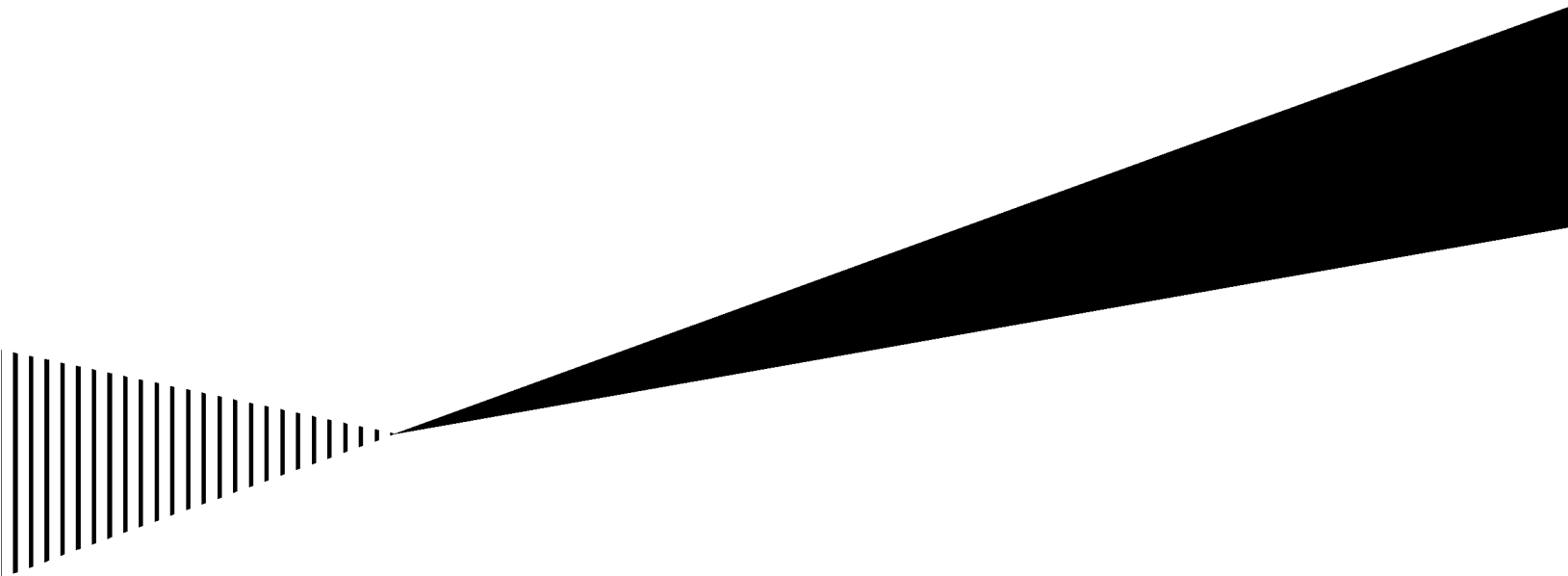
Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
SCHEDULE R, PART I & PART III	DURING THE TAX YEAR, FMC PURCHASED THE REMAINING INTERESTS IN THE AMBULATORY SURGI-CENTER AT FLAGSTAFF MEDICAL CENTER, LLC (TASC) AND BECAME THE SOLE MEMBER

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Northern Arizona Healthcare Corporation and Affiliates
Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP



**Building a better
working world**

Northern Arizona Healthcare Corporation and Affiliates
Consolidated Financial Statements and Supplementary Information
Years Ended June 30, 2014 and 2013

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Report of Independent Auditors

The Board of Directors
Northern Arizona Healthcare Corporation

We have audited the accompanying consolidated financial statements of Northern Arizona Healthcare Corporation and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northern Arizona Healthcare Corporation and Affiliates at June 30, 2014 and 2013, and the consolidated results of their activities and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

Ernst + Young LLP

October 24, 2014

Northern Arizona Healthcare Corporation and Affiliates

Consolidated Statements of Financial Position

	June 30	
	2014	2013
	<i>(In Thousands)</i>	
Assets		
Current assets		
Cash and cash equivalents	\$ 83,929	\$ 79,548
Accounts receivable, less allowance for doubtful accounts of \$66,244,000 in 2014 and \$80,716,000 in 2013	81,558	80,801
Third-party payor settlements	12,333	—
Inventories	9,127	9,401
Prepaid expenses and other	8,650	9,696
Total current assets	<u>195,597</u>	<u>179,446</u>
Assets whose use is limited	472,236	434,178
Property and equipment, net	245,391	234,580
Deferred charges and other assets	19,274	19,749
Total assets	<u><u>\$ 932,498</u></u>	<u><u>\$ 867,953</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 15,042	\$ 12,553
Accrued expenses	37,919	38,353
Current portion of long-term debt	52,548	6,617
Third-party payor settlements	—	1,953
Total current liabilities	<u>105,509</u>	<u>59,476</u>
Long-term debt, less current portion	111,078	164,407
Accrued pension liability	67,744	70,474
Other liabilities	3,938	6,051
Total liabilities	<u>288,269</u>	<u>300,408</u>
Net assets	644,229	567,545
Total liabilities and net assets	<u><u>\$ 932,498</u></u>	<u><u>\$ 867,953</u></u>

See accompanying notes.

Northern Arizona Healthcare Corporation and Affiliates

Consolidated Statements of Activities

	Year Ended June 30	
	2014	2013
	<i>(In Thousands)</i>	
Revenue		
Net patient service	\$ 638,854	\$ 613,464
Provision for doubtful accounts	(105,289)	(95,598)
Net patient service revenue, less provision for doubtful accounts	533,565	517,866
Other	12,454	17,129
Total revenue	546,019	534,995
Expenses		
Salaries and wages	238,372	220,210
Employee benefits	57,884	57,338
Professional fees	21,939	20,210
Supplies, services, and other	170,477	169,368
Depreciation and amortization	32,571	34,553
Interest	3,169	3,358
Total expenses	524,412	505,037
Income from operations	21,607	29,958
Other income		
Investment income, net	47,818	24,148
Impairment loss	—	(1,244)
Other	673	666
Excess of revenue over expenses	70,098	53,528
Decrease in unfunded pension liability	6,586	20,095
Increase in net assets	76,684	73,623
Net assets at beginning of year	567,545	493,922
Net assets at end of year	\$ 644,229	\$ 567,545

See accompanying notes.

Northern Arizona Healthcare Corporation and Affiliates

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2014	2013
	<i>(In Thousands)</i>	
Operating activities		
Increase in net assets	\$ 76,684	\$ 73,623
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Decrease in investments designated as trading	(38,058)	(43,112)
Unrecognized pension cost	(2,730)	(24,138)
Provision for doubtful accounts	105,289	95,598
Depreciation and amortization	32,571	34,553
Impairment loss	—	1,244
Net change in current assets and current liabilities, exclusive of cash and cash equivalents	(116,957)	(107,197)
(Decrease) increase in other liabilities	(2,113)	387
Net cash provided by operating activities	<u>54,686</u>	<u>30,958</u>
Investing activities		
Purchases of property and equipment	(43,229)	(31,318)
Decrease in deferred charges and other assets	322	80
Net cash used in investing activities	<u>(42,907)</u>	<u>(31,238)</u>
Financing activities		
Repayment of long-term debt	(7,398)	(8,193)
Net cash used in financing activities	<u>(7,398)</u>	<u>(8,193)</u>
Increase (decrease) in cash and cash equivalents	4,381	(8,473)
Cash and cash equivalents at beginning of year	79,548	88,021
Cash and cash equivalents at end of year	<u>\$ 83,929</u>	<u>\$ 79,548</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 4,034</u>	<u>\$ 4,453</u>

See accompanying notes.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements

June 30, 2014

1. Organization

Description of Business

Northern Arizona Healthcare Corporation (the Corporation) is a not-for-profit tax-exempt corporation that provides home health and hospice operations and administrative and other services to affiliated organizations. The Corporation controls the activities of the following wholly owned affiliates:

- Flagstaff Medical Center, Inc. (FMC), a not-for-profit tax-exempt corporation located in Flagstaff, Arizona, provides general medical and surgical acute care, behavioral health services, and a full range of outpatient services.
- Verde Valley Medical Center (VVMC), a not-for-profit tax-exempt corporation located in Cottonwood, Arizona, provides general medical and surgical acute care, senior behavioral health service, and a full range of outpatient services.
- NAHPG LLC is a physician organization comprising the employed physicians of FMC and VVMC. FMC and VVMC each own a 50% interest in NAHPG LLC. The profit and loss from NAHPG will be allocated between the two investees based on the financial performance of each NAHPG practice and their correlations to FMC and VVMC. FMC and VVMC's investment in NAHPG has been eliminated in consolidation.
- During 2014, FMC purchased the remaining interests in The Ambulatory Surgi-Center at Flagstaff Medical Center, LLC (TASC) and became the sole owner. TASC is an ambulatory surgery center which provides primarily outpatient surgery services to patients as an alternative to providing these services at a hospital facility.

The Corporation holds a 50% non-controlling interest in Northern Arizona Senior Living Community, LLC, d/b/a The Peaks (The Peaks). The Peaks operates a senior living, mentoring, and skilled nursing facility located in Flagstaff, Arizona. The Peaks is accounted for using the equity method of accounting.

Mission Statement

The primary mission of the Corporation is to improve the health of the people and communities that the Corporation serves.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation and each of its wholly owned affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the Corporation's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less, excluding amounts whose use is limited by the Corporation's Board of Directors (the Board) designation or other arrangements under trust agreements.

Fair Value of Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximates fair value based on the liquidity of these financial instruments and the short-term maturities of these instruments. The fair values of other financial instruments are disclosed in their respective notes.

Net Patient Accounts Receivable

Net patient accounts receivable and net patient service revenue have been adjusted to the estimated amounts expected to be received based on contracted rates for the services rendered. These estimated amounts are subject to further adjustments upon review by third-party payors. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard or discounted rates. Historically, a significant portion of the uninsured

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

patients will be unable or unwilling to pay for the services provided. Accordingly, the Corporation records an allowance for doubtful accounts and provision for doubtful accounts, related to uninsured patients, in the period the services were provided using an entity wide assessment based on historical collection experience. Management regularly reviews payment data for each major payor in evaluating the sufficiency of the allowance for doubtful accounts.

Inventories

Inventories, consisting principally of supplies, are stated at the lower of cost (first-in, first-out method) or market.

Assets Whose Use is Limited

Assets whose use is limited include investments set aside by the Board for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes. In addition, assets whose use is limited include assets held by a trustee under bond indenture agreements.

Investments in equity securities, with readily determinable fair values, and all investments in U.S. Treasury securities, corporate debt securities, government agency securities, and registered investment funds are measured at fair value in the accompanying consolidated statements of financial position (see Note 5). The Corporation has determined that all investments held at June 30, 2014 and 2013, are designated as trading securities. Accordingly, investment income, including realized gains and losses on investments, unrealized gains and losses on investments, and interest and dividends, are included in excess of revenues over expenses.

Investment income, including interest and dividends, realized gains and losses on investments, unrealized gains and losses on investments, and income on alternative investments, is included in excess of revenue over expenses unless the income or loss is restricted by donor or law.

The Corporation invests in various investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In July 2013, the Corporation started to invest in alternative investments, mainly hedge funds, through limited partnerships. As of June 30, 2014, The Corporation has recorded within assets whose use is limited approximately \$91,588,000 in alternative investments. The Corporation accounts for its ownership interests in these alternative investments under the equity method based on the net asset value per share of the fund held by the Corporation. The hedge fund net asset value is provided to the Corporation by each of the hedge fund managers. The net asset value is determined based on the estimated fair value of each of the underlying investments held in the hedge fund. However, the hedge fund investment holdings may include investments in private investment funds whose values have been estimated by the hedge fund managers in the absence of readily ascertainable fair values. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed. The investment income recorded is based on the Corporation's proportionate share of the hedge fund portfolio net asset value. The Corporation's share of the hedge funds unrealized gain approximated \$7,859,000 for the year ended June 30, 2014. As of June 30, 2014, approximately \$28,559,000 of the Corporation's alternative investments were subject to a one-year redemption lockup period.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value on the date received, if donated. Depreciation expense is recorded on a straight-line basis over the estimated useful life of each class of depreciable asset, which range from 3 to 40 years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Long-Lived Asset Impairment

The Corporation reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The Corporation considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. Fair value is determined to be the present value of the associated assets cash flows. There were no impairment losses recorded during 2014. During 2013, the Corporation recorded an impairment loss of approximately \$944,000 related to land held in Camp Verde, Arizona and \$300,000 related to land held in Prescott, Arizona.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounts from established charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known. For the year ended June 30, 2014, the Corporation recorded an increase to net patient service revenue of \$15,600,000, relating to retroactive adjustments amounting to \$1,500,000 and settlement of a 2009 Medicare low volume appeal amounting to \$14,100,000. The Medicare low volume appeal is recorded as a third-party payor settlement receivable, at June 30, 2014 and the funds were received in July 2014. For the year ended June 30, 2013, the Corporation recorded an increase to net patient service revenue of \$1,800,000 relating to retroactive adjustments.

Electronic Health Records Incentive Payments

Beginning in 2011, the Medicare and state Medicaid programs are providing an incentive payment to eligible hospitals and professionals if meaningful use certified electronic health care (EHR) technology is adopted and utilized. The incentive payment is recognized when management is reasonably assured that the Corporation has complied with the conditions set forth by Medicare and Medicaid and has demonstrated meaningful use of its EHR technology for the applicable attestation period. Approximately \$5,604,000 in Medicare and Medicaid incentive payments were recognized in other revenue for the year ended June 30, 2013. The Corporation recorded \$1,000,000 in Medicare incentive payments for Medicare eligible providers for the year ended June 30, 2014. The Corporation did not recognize any of the Medicare facility or Medicaid incentive payments for the year ended June 30, 2014 as management was in the process of testing the Corporation's compliance with the meaningful use criteria (see Note 11). The Corporation's attestation of compliance with the meaningful use criteria is subject to audit by the federal government upon final settlement of the applicable cost report from which payments were initially calculated.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Community Benefit

The Corporation provides a broad range of benefits to the northern Arizona community it serves, including offering various community-based social service programs and a number of health-related educational programs. These services are provided to improve the general standards of health for the community. In addition, the Corporation provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. A patient is classified as a charity patient by reference to certain policies established by the Corporation as to the ability of the patient to pay. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not recorded as revenue. Partial payments to which the Corporation is entitled from public assistance and other programs, on behalf of patients, that meet the charity care policy of the Corporation are reported as net patient service revenue.

The Corporation estimates charity care costs based on the most recent cost to charge ratio reported in FMC's and VVMC's general ledger. The cost to charge ratio includes both direct and indirect costs incurred at FMC and VVMC. For the year ended June 30, 2014 and 2013, costs incurred by the Corporation relating to the provision of charity care, community benefit services rendered, and the unpaid costs of programs with the AHCCCS and Medicare program amounted to \$109,643,000 and \$89,304,000, respectively. The following is a summary of the Corporation's community benefit for the years ended June 30.

	2014	2013
	<i>(In Thousands)</i>	
Charity care provided	\$ 4,937	\$ 3,292
Other community benefit	9,614	8,556
Unpaid costs of AHCCCS program	54,768	44,417
Unpaid costs of Medicare program	40,324	33,039
	\$ 109,643	\$ 89,304

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Tax Status

The Corporation is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Corporation's management is not aware of any events that would cause the Corporation to lose its tax-exempt status. Management has reviewed all open tax years and has determined that the Corporation has no significant uncertain tax positions.

New Accounting Pronouncements

In May, 2014, the Financial Accounting Standards Board (FASB) issued a new standard on revenue recognition which further clarifies the accounting for revenue and related revenue transactions, including the timing and amount of revenue to be recorded as well as the determination as to when revenue adjustments should be classified as reductions to net patient service revenue or provision for doubtful accounts. The standard will be effective beginning in 2017. Management is currently evaluating the effect of adopting the new standard on the consolidated financial statements.

Reclassification

The 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation, primarily relating to \$9,840,000 of charity care write offs that were reclassified from the provision for doubtful accounts to net patient service revenue.

Subsequent Events

There are two types of subsequent events: recognized subsequent events, which provide additional evidence about conditions that existed at the balance sheet date, and nonrecognized subsequent events, which provide evidence about conditions that did not exist at the balance sheet date but arose before the financial statements were issued. Recognized subsequent events are required to be recognized in the financial statements, and nonrecognized subsequent events are required to be disclosed. In the preparation of the consolidated financial statements, the Corporation has evaluated subsequent events through the date the financial statements were available for issuance, October 24, 2014. (See Note 11 for disclosed subsequent events.)

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Net Patient Service Revenue

A summary of the payment arrangements with major third-party payors follows

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. All outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates. FMC and VVMC's Medicare reimbursement is subject to final settlement with the Medicare program, based on the annual hospital specific rate per discharge. Final settlement with the Medicare program is determined after submission of annual cost reports by the Corporation and audit thereof by the Medicare fiscal intermediary. Approximately 29% and 32% of the Corporation's net patient service revenue was derived from the Medicare program in 2014 and 2013, respectively.

The Medicare cost reports of the Corporation have been audited by the fiscal intermediary through June 30, 2010, for FMC and June 30, 2012, for VVMC. Management believes that estimated accrued settlements related to unaudited cost reports are adequate. Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

AHCCCS – Inpatient and outpatient services rendered to AHCCCS program beneficiaries are reimbursed under per diem and fee schedule or discounted charge methodologies, respectively. Approximately 8% of the Corporation's net patient service revenue was derived from the AHCCCS program in 2014 and 2013.

Other Payors – The Corporation also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge or discounts from established charges. Approximately 42% and 45% of the Corporation's net patient service revenue was derived from other third-party payors in 2014 and 2013, respectively.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Net Patient Service Revenue (continued)

Self-Pay – Inpatient and outpatient services rendered to self-pay patients are recorded at the Corporation's standard rates. Approximately 21% and 15% of the Corporation's net patient service revenue was derived from self-pay patients in 2014 and 2013, respectively. Self-pay patients include patients without insurance and patients with deductibles and coinsurance associated with third-party payor coverage. Management records a provision for doubtful accounts related to self-pay patients, at the time services are provided, based on historical collection experience.

4. Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor agreements which include (i) Medicare, (ii) AHCCCS, (iii) private payors (self-pay), and (iv) others, including commercial carriers and health maintenance organizations. The following table summarizes the percent of gross accounts receivable from all payors as of June 30.

	2014	2013
Medicare	32%	31%
AHCCCS	20	15
Self-pay	21	18
Other third-party payors	27	36
	100%	100%

Self-pay and other amounts due consist of receivables from various payors, including individuals involved in diverse activities subject to differing economic conditions. Management does not believe there are any significant credit risks associated with accounts receivable, except for self-pay accounts. Management continually monitors and adjusts its allowances (contractual and doubtful accounts) associated with these receivables based on recent payment trends and specific identification of uncollectible patient accounts.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering such assumptions, the Corporation utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1* Pricing is based on observable inputs such as quoted prices in active markets. Financial assets in Level 1 include U.S. Treasury securities, registered investment funds and listed equity securities.
- *Level 2* Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets in Level 2 include bond funds, mutual funds, corporate debt securities and government agency securities.
- *Level 3* Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates. Financial assets in Level 3 include alternative investments held in the defined benefit plan (see Note 9).

Assets measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach* Amount that would be required to replace the service capacity of an asset (replacement cost).

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

- (c) *Income approach* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models)

The Corporation's alternative investments, amounting to \$91,588,000 at June 30, 2014, are accounted for using the equity method of accounting. Accordingly, the alternative investments are omitted from the following schedule of financial investments measured at fair value.

The following table outlines the fair value techniques used for financial assets recorded at fair value, on a recurring basis, as of June 30, by the level of observable input and the valuation technique.

	Balance at June 30	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique (a,b,c)
<i>(In Thousands)</i>					
2014					
Assets whose use is limited					
Cash and cash equivalents	\$ 10,469	\$ 10,469	\$ —	\$ —	a
Bond funds	22,630	—	22,630	—	a
Mutual funds, primarily equity funds	21,761	—	21,761	—	a
Registered investment funds					
U S equities	211,473	211,473	—	—	a
Bonds	114,315	114,315	—	—	a
Total assets whose use is limited	<u>\$ 380,648</u>	<u>\$ 336,257</u>	<u>\$ 44,391</u>	<u>\$ —</u>	
2013					
Assets whose use is limited					
Cash and cash equivalents	\$ 134,327	\$ 134,327	\$ —	\$ —	a
Equities, primarily U S equities	126,359	126,359	—	—	a
U S Treasury securities	32,323	32,323	—	—	a
Government agency	41,262	—	41,262	—	a
Corporate debt securities, primarily U S securities	65,899	—	65,899	—	a,c
Registered investment funds					
U S equities	8,310	8,310	—	—	a
International equities	25,698	25,698	—	—	a
Total assets whose use is limited	<u>\$ 434,178</u>	<u>\$ 327,017</u>	<u>\$ 107,161</u>	<u>\$ —</u>	

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

6. Assets Whose Use Is Limited

A summary of assets whose use is limited at June 30, follows

	2014	2013
	<i>(In Thousands)</i>	
Restricted by the Board for capital improvements	\$ 471,652	\$ 433,594
Bond project fund restricted for property construction and equipment acquisition	584	584
	\$ 472,236	\$ 434,178

A summary of investment income, net, for the years ended June 30, follows

	2014	2013
	<i>(In Thousands)</i>	
Interest income	\$ 6,948	\$ 5,738
Alternative investment unrealized gain	7,859	—
Realized gain, net	21,155	4,179
Unrealized gain, net	11,856	14,231
	\$ 47,818	\$ 24,148

7. Property and Equipment

A summary of property and equipment, at June 30, follows

	2014	2013
	<i>(In Thousands)</i>	
Land and improvements	\$ 21,752	\$ 20,757
Buildings and improvements	286,343	273,424
Equipment	255,124	249,735
	563,219	543,916
Less accumulated depreciation	349,031	326,791
	214,188	217,125
Construction in progress	31,203	17,455
	\$ 245,391	\$ 234,580

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt

A summary of long-term debt, at June 30, follows

	2014	2013
	<i>(In Thousands)</i>	
Series 2008A Hospital Revenue Refunding Bonds, collateralized by property and equipment, bearing a variable rate of interest that is based on the Federal Funds Rate as defined by the related bond agreement. Principal is due in semiannual installments ranging from \$925,000 to \$1,596,000 through July 2033. The average interest rate for the years ended June 30, 2014 and 2013, was 1.02%.	\$ 46,842	\$ 48,677
Series 2008B Hospital Revenue Bonds, collateralized by property and equipment, bearing a variable rate of interest that is determined weekly as defined by the bond agreement. Principal is due in annual installments of \$45,000 to \$4,575,000 through December 2039. The average interest rate for the years ended June 30, 2014 and 2013, was 0.51% and 0.60%, respectively.	46,585	47,840
Series 2011 Hospital Revenue Bonds, collateralized by property and equipment, bearing interest rates fixed annually ranging from 4.00% to 5.25% as defined in the bond agreement. Principal is due in annual installments ranging from \$1,000,000 to \$6,480,000 through October 2026. The unamortized premium was approximately \$4,805,000 at June 30, 2014. The bond premium is amortized using straight-line method over the life of the bonds, which approximates the effective interest method. The average interest rate for the year ended June 30, 2014 and 2013, was 4.90%.	70,199	74,271
Other	—	236
	163,626	171,024
Less current portion	52,548	6,617
Long-term debt	\$ 111,078	\$ 164,407

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

The bond agreements relating to certain loans place restrictions on the operations of the Obligated Group members, which among other things includes minimum debt service coverage ratios, minimum liquidity ratios, limits on encumbrances and liens, and minimum insurance coverage. The Obligated Group members consist of all wholly owned affiliates of the Corporation except for NAHPG, home health and hospice. At June 30, 2014, the Obligated Group was in compliance with these debt covenants.

The Series 2008B Hospital Revenue Bonds are demand securities that are secured by a direct pay letter of credit. Any draws on the direct pay letter of credit are to be repaid over a two-year period commencing 18 months after the draw date. There were no draws on the direct pay letter of credit as of June 30, 2014. The direct pay letter of credit terminates in December 2014 and management is currently working with financial institutions to enter into a new financing liquidity instrument. The outstanding principle of \$46,585,000 has been classified within current portion of long term debt on the consolidated balance sheet as of June 30, 2014, since the bond trustee could demand payment on any bonds that are not remarketed and a new financing agreement is not in place that would extend maturity beyond December 2014.

The estimated fair value of the Corporation's long-term debt, at June 30, 2014 and 2013, approximated \$167,651,000 and \$173,487,000, respectively. The estimated fair value was determined based on quoted market values for identical or comparable debt obligations.

Principal maturities of long-term debt for each of the next five years ended June 30 and in the aggregate thereafter follow *(in thousands)*

2015	\$ 52,548
2016	6,108
2017	6,805
2018	7,093
2019	7,274
Thereafter	83,798
	<u>\$ 163,626</u>

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt (continued)

A summary of bond interest costs, for the years ended June 30, follows

	2014	2013
	<i>(In Thousands)</i>	
Interest cost		
Charged to operations	\$ 3,169	\$ 3,358
Capitalized	139	94
Total	<u>\$ 3,308</u>	<u>\$ 3,452</u>

9. Pension Plans

Defined Benefit Pension Plan

The Corporation has a noncontributory defined benefit pension plan (Pension Plan), which covers substantially all of its employees whose employment began prior to July 1, 2000. The Pension Plan is frozen to employees that commenced employment after July 1, 2000 (see Note 11). The Pension Plan provides a defined benefit based on years of service and final average salary.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its Pension Plan on the consolidated statements of financial position, with a corresponding adjustment to net assets. The following table sets forth the Corporation's defined benefit pension plan funded status as of June 30 (using measurement dates of June 30, 2014 and 2013, respectively), as provided by consulting actuaries:

	2014	2013
	<i>(In Thousands)</i>	
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 203,523	\$ 213,125
Service cost	5,857	6,619
Interest cost	9,595	8,955
Actuarial loss (gain)	8,593	(8,785)
Benefit payments	(5,756)	(16,391)
Benefit obligation at end of year	<u>\$ 221,812</u>	<u>\$ 203,523</u>

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

	2014	2013
	<i>(In Thousands)</i>	
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 133,049	\$ 118,513
Actual return on plan assets	17,605	12,453
Employer contribution	9,170	18,474
Benefit payments	(5,756)	(16,391)
Fair value of plan assets at end of year	<u>\$ 154,068</u>	<u>\$ 133,049</u>
Accrued pension liability	\$ (67,744)	\$ (70,474)
Unrecognized net actuarial loss	81,508	88,077
Unrecognized prior service cost	78	95

The accumulated benefit obligation for the defined benefit plan was \$200,593,000 and \$181,863,000 at June 30, 2014 and 2013, respectively

Net pension cost includes the following components for the years ended June 30

	2014	2013
	<i>(In Thousands)</i>	
Service cost	\$ 5,857	\$ 6,619
Interest cost	9,595	8,955
Expected return on plan assets	(10,114)	(9,162)
Recognized net actuarial loss	7,671	8,002
Amortization of prior service cost	17	17
Net periodic pension cost	<u>\$ 13,026</u>	<u>\$ 14,431</u>

Weighted-average assumptions used to determine the projected benefit obligation, at June 30 were

	2014	2013
Discount rate	4.4%	4.8%
Rate of compensation increase	3.0	3.0
Expected return on plan assets	7.0	7.5

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

Weighted-average assumptions used to determine the net periodic benefit cost for the fiscal were

	2014	2013
Discount rate	4.8%	4.3%
Rate of compensation increase	3.0	3.0
Expected return on plan assets	7.5	7.5

The Pension Plan's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of large losses. The Corporation uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines, which include allowable and/or prohibited investment types. The Corporation regularly monitors manager performance and compliance with investment guidelines.

The target allocations for plan assets are 50–80% equity securities, 20–40% fixed income securities, and 0–5% cash. Equity and registered investment fund securities include U.S. and international investments and range from large-cap to small-cap companies. Fixed income securities include corporate debt securities of companies from diversified industries, mortgage-backed securities, and U.S. Treasury securities. The expected rate of return actuarial assumption considers the historical long-term rate of return of assets across all of these asset classes.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

The fair values of the Pension Plan's assets at June 30, by asset category and fair value hierarchy level, are as follows

Asset Category	Balance at June 30, 2014	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique (a,b,c)
<i>(In Thousands)</i>					
Money market	\$ 8,124	\$ 8,124	\$ —	\$ —	a
Government agency	3,694	—	3,694	—	a,c
Municipal bonds	1,496	—	1,496	—	a,c
Equity funds	19,949	—	19,949	—	a
Bond funds	26,931	—	26,931	—	a
Registered investment funds					
U S equities	73,389	73,389	—	—	a
Alternative investments	20,485	—	—	20,485	c
	<u>\$ 154,068</u>	<u>\$ 81,513</u>	<u>\$ 52,070</u>	<u>\$ 20,485</u>	

Asset Category	Balance at June 30, 2013	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique (a,b,c)
<i>(In Thousands)</i>					
Money market	\$ 8,822	\$ 8,822	\$ —	\$ —	a
U S Treasury securities	11,380	11,380	—	—	a
Government agency	8,426	—	8,426	—	a,c
Municipal bonds	2,036	—	2,036	—	a,c
Corporate debt securities, primarily U S securities	482	—	482	—	a
Equities, primarily U S equities	17,050	17,050	—	—	a
Registered investment funds					
Bond fund	15,000	15,000	—	—	a
U S equities	48,683	48,683	—	—	a
International equities	21,170	21,170	—	—	a
	<u>\$ 133,049</u>	<u>\$ 122,105</u>	<u>\$ 10,944</u>	<u>\$ —</u>	

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

The following summarizes the changes in fair value of the Pension Plan's Level 3 assets for the year ended June 30, 2014 (in thousands)

Balance, beginning of year	\$	—
Purchase of alternative investment		18,700
Unrealized gain		1,785
Balance, end of year	\$	<u>20,485</u>

Approximately \$7,817,000 of the Pension Plan's alternative investments are subject to a one year lock up period

The Corporation will be required to contribute \$18,665,000 to its Pension Plan in fiscal year 2015

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands)

2015	\$	7,087
2016		7,871
2017		8,689
2018		9,518
2019		10,404
Years 2020–2024		64,811

401(k) Plan

The Corporation sponsors a 401(k) plan for the Corporation's employees. The 401(k) plan allows employees to contribute funds through a pre-tax option and an after-tax option. Both options follow the same guidelines for employee and Corporation contributions. All of the Corporation's employees may participate in the 401(k) plan, however, only employees with hire dates subsequent to June 30, 2000, are eligible for contributions from the Corporation (see Note 11). For employees with hire dates subsequent to June 30, 2000, the Corporation will match 50% of each employee's contribution up to 4% of his or her salary. For employees with hire dates subsequent to June 30, 2000, the Corporation also contributes 2% of each employee's salary to the 401(k) plan, regardless of the employee's contribution. This 2% contribution is a

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

9. Pension Plans (continued)

discretionary contribution and the employee must still be employed on December 31st of that year in order to be eligible for the discretionary contribution. Employees immediately vest in their own contributions to the 401(k) plan, vest in the employer pay period match after three years, and vest in the year-end discretionary employer contributions after three years of qualifying service. The Corporation's contributions to the 401(k) plan totaled \$5,745,000 in 2014 and \$4,762,000 in 2013.

10. Commitments and Contingent Liabilities

Health Care Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Other than normal operational or licensure citations or shortcomings of the nature commonly found in surveys of hospitals and other customary regulatory matters that are subject to the active attention of the Corporation's administration and legal department, management believes the Corporation is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Insurance

The Corporation retains a layer of liability for employee health and dental benefits up to \$200,000 per employee, or dependent, and has purchased insurance for claims incurred per employee or dependent in excess of this amount. The Corporation has recorded \$2,875,000 and \$3,301,000 for employee health and dental benefit obligations as of June 30, 2014 and 2013, respectively.

The Corporation purchases professional and general liability insurance to cover medical malpractice claims for physicians and hospital claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

10. Commitments and Contingent Liabilities (continued)

may be asserted arising from services provided to patients. Through June 30, 2002, the Corporation's professional and general liability insurance had a per claim self-insured retention of \$50,000 under a claims-made insurance policy. Effective July 1, 2002, the Corporation began retaining liability for professional and general liability claims up to \$1,000,000 per claim under a claims-made insurance policy. In August 2012, the Corporation added an additional \$1,000,000 to the retention limit in aggregate increasing the total to \$2,000,000. The Corporation also purchased insurance to cover physician's professional and general liability with a per claim self-insured retention of \$100,000 under a claims-made insurance policy.

The Corporation records a liability for estimates of future payments related to professional and general claims that have not been paid as of year-end. A portion of this estimated payable represents an estimate of claims incurred but not reported (IBNR) to the Corporation. The IBNR claims estimate is developed using actuarial assumptions based upon payment patterns, historical development, and other relevant factors. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are periodically reviewed by a third-party actuary and adjusted as necessary as experience develops or new information becomes known, such adjustments are included in current operations. Related to professional and general liability claims, at June 30, 2014 and 2013, the Corporation recorded an undiscounted estimated self-insurance obligation of approximately \$4,249,000 and \$5,936,000, respectively, in accrued expenses and other liabilities in the consolidated statements of financial position, which includes the liability to be paid by the Corporation's excess insurance carrier. The Corporation recorded a liability and a corresponding insurance recovery of approximately \$766,000 and \$2,058,000 as of June 30, 2014 and 2013, respectively, relating to the estimated professional and general liability claims to be covered by the excess insurance carriers.

The Corporation is insured for workers compensation claims under a first dollar coverage plan whereby the insurer has assumed full risk for the workers compensation claims. Accordingly, the Corporation has not recorded any insurance recovery or claim liability associated with workers compensation claims.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

10. Commitments and Contingent Liabilities (continued)

Leases

Future minimum lease payments, by year and in the aggregate, under noncancelable operating lease arrangements with initial or remaining terms of one year or more consist of the following at June 30, 2014 (in thousands)

2015	\$	2,615
2016		1,687
2017		927
2018		289
2019		167
Thereafter		351
	\$	<u>6,036</u>

11. Subsequent Event

On June 24, 2014, the Corporation filed articles of organization with the Arizona Corporation Commission to form PathfinderHealth, LLC. The Corporation is the sole equity member of PathfinderHealth, LLC. The purpose of the entity is to operate as a regional, clinically integrated care delivery system that empowers providers to enhance health while improving quality, efficiency and the patient experience. The purpose will be accomplished by the entity leveraging the structure of and functioning as an Accountable Care Organization. As of June 30, 2014, there were no contractual arrangements entered into and the operating agreement for the new entity was effective August 6, 2014.

On August 29, 2014, the Corporation filed articles of organization with the Arizona Corporation Commission to form Pinon Health Collaborative, LLC. Northern Arizona Healthcare Corporation and Yavapai Community Hospital Association each hold a 50% noncontrolling interest in this entity. The purpose of the entity is to conduct certain collaborative activities, which may include materials management and group purchasing functions, information technology and other administrative functions. An operating agreement is in the process of being finalized.

Northern Arizona Healthcare Corporation and Affiliates

Notes to Consolidated Financial Statements (continued)

11. Subsequent Event (continued)

Management completed its EHR Medicare Stage I Year II submission on September 19, 2014 and is in the process of completing its Medicaid submission. The Corporation expects to receive \$3,548,000 in fiscal year 2015 as a result of the Medicare and Medicaid submissions.

Effective January 1, 2015 the Pension Plan will be frozen for all participants, at which time they will transition to the Corporation's 401(k) plan. These participants will then be eligible for the Corporation's matching contributions, discretionary contributions and an additional transition contribution that will replace the accrual of pension benefits going forward.

Supplementary Information

Independent Auditors' Report on Supplementary Information

The Board of Directors
Northern Arizona Healthcare Corporation

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

October 24, 2014

Northern Arizona Healthcare Corporation and Affiliates

Consolidating Statement of Financial Position

June 30, 2014

	VVMC	FMC	Subtotal Obligated Group	NAHPG	NAHC Administration	NAHC Home Health and Hospice	Intercompany Eliminations	Consolidated
	<i>(In Thousands)</i>							
Assets								
Current assets								
Cash and cash equivalents	\$ 7.658	\$ 62.475	\$ 70.133	\$ 5.139	\$ 8.657	\$ –	\$ –	\$ 83.929
Accounts receivable, net	19.550	57.163	76.713	4.225	–	620	–	81.558
Third-party payor settlements	5.378	6.955	12.333	–	–	–	–	12.333
Inventories	2.696	6.409	9.105	–	–	22	–	9.127
Prepaid expenses and other	1.306	14.791	16.097	267	3.105	–	(10.819)	8.650
Total current assets	36.588	147.793	184.381	9.631	11.762	642	(10.819)	195.597
Assets whose use is limited	132.208	340.028	472.236	–	–	–	–	472.236
Property and equipment, net	66.146	140.754	206.900	3.112	35.007	372	–	245.391
Deferred charges and other assets	7.918	415	8.333	–	4.270	–	6.671	19.274
Total assets	\$ 242.860	\$ 628.990	\$ 871.850	\$ 12.743	\$ 51.039	\$ 1,014	\$ (4,148)	\$ 932.498
Liabilities and net assets								
Current liabilities								
Accounts payable	\$ 1.749	\$ 12.852	\$ 14.601	\$ 377	\$ 48	\$ 16	\$ –	\$ 15.042
Accrued expenses	18.627	22.076	40.703	2.597	4.079	1,359	(10.819)	37.919
Current portion of long-term debt	29.740	22.808	52.548	–	–	–	–	52.548
Total current liabilities	50.116	57.736	107.852	2.974	4.127	1,375	(10.819)	105.509
Long-term debt, less current portion	20.543	90.535	111.078	–	–	–	–	111.078
Accrued pension liability	20.662	41.866	62.528	–	5.216	–	–	67.744
Other liabilities	1.419	2.509	3.928	–	10	–	–	3.938
Total liabilities	92.740	192.646	285.386	2.974	9.353	1,375	(10.819)	288.269
Net assets	150.120	436.344	586.464	9.769	41.686	(361)	6.671	644.229
Total liabilities and net assets	\$ 242.860	\$ 628.990	\$ 871.850	\$ 12.743	\$ 51.039	\$ 1,014	\$ (4,148)	\$ 932.498

Northern Arizona Healthcare Corporation and Affiliates

Consolidating Statement of Activities

Year Ended June 30, 2014

	VVMC	FMC	Subtotal Obligated Group	NAHPG	NAHC Administration	NAHC Home Health and Hospice	Intercompany Eliminations	Consolidated
	<i>(In Thousands)</i>							
Revenue								
Net patient service	\$ 164,543	\$ 437,725	\$ 602,268	\$ 32,535	\$ –	\$ 4,051	\$ –	\$ 638,854
Provision for doubtful accounts	(28,648)	(71,210)	(99,858)	(5,371)	–	(60)	–	(105,289)
Net patient service revenue, less provision for doubtful accounts	135,895	366,515	502,410	27,164	–	3,991	–	533,565
Other	2,296	7,721	10,017	1,048	1,389	–	–	12,454
Total revenue	138,191	374,236	512,427	28,212	1,389	3,991	–	546,019
Expenses								
Salaries and wages	51,090	126,943	178,033	37,146	20,301	2,892	–	238,372
Employee benefits	13,637	32,816	46,453	7,435	3,248	748	–	57,884
Professional fees	3,432	15,252	18,684	2,573	682	–	–	21,939
Supplies, services and other	34,355	103,008	137,363	5,884	26,069	1,161	–	170,477
Depreciation and amortization	8,688	16,045	24,733	682	7,155	1	–	32,571
Interest	703	2,466	3,169	–	–	–	–	3,169
Corporate expense allocation from NAHC	17,136	38,089	55,225	176	(56,027)	626	–	–
Total expenses	129,041	334,619	463,660	53,896	1,428	5,428	–	524,412
Income (loss) from operations	9,150	39,617	48,767	(25,684)	(39)	(1,437)	–	21,607
Investment income (loss)	11,475	36,350	47,825	–	(7)	–	–	47,818
Loss from equity investment	(10,857)	(14,827)	(25,684)	–	–	–	25,684	–
Other	183	486	669	–	44	(40)	–	673
Excess (deficiency) of revenue over expenses	9,951	61,626	71,577	(25,684)	(2)	(1,477)	25,684	70,098
Decrease in unfunded pension obligation	2,074	4,096	6,170	–	–	416	–	6,586
Increase (decrease) in net assets	12,025	65,722	77,747	(25,684)	(2)	(1,061)	25,684	76,684
Net assets at beginning of year	154,987	377,652	532,639	(8,866)	30,593	3,072	10,107	567,545
Net asset transfers from (to) affiliates	(16,892)	(7,030)	(23,922)	44,319	11,095	(2,372)	(29,120)	–
Net assets at end of year	\$ 150,120	\$ 436,344	\$ 586,464	\$ 9,769	\$ 41,686	\$ (361)	\$ 6,671	\$ 644,229

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